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FINANCIAL ASPECTS OF THE TRUST PROBLEM.

INTRODUCTION.

Before 1883, when the Standard Oil Trust was formally organized, manufacturing combinations were almost unknown, nor did they begin to attract much notice until after the organization of the American Sugar Refining Company, in 1887. Even then, in spite of the popular outcry against monopoly, and the anti-trust laws which were enacted by national and state legislatures, only twenty combinations of any importance were listed on the New York Stock Exchange up to 1893, when the panic brought the incipient movement toward consolidation to a sudden end. The real trust movement dates from 1898. Two years have sufficed to reorganize the manufacturing industries of the United States, in whole or in part, along lines of consolidation. The "United States Investor" gives a list of 565 combinations organized within the last two years, with a capitalization of more than seven billions of dollars.<sup>1</sup> During the first six months of 1899, one hundred and two consolida-

<sup>1</sup> "United States Investor." December 30, 1899.

tions with a capitalization of three billions, were organized and floated.<sup>1</sup> The universality and spontaneity of this movement raise the question of its origin and cause. It is proposed in this paper to examine the trust from the standpoint of speculation and investment.

The Trust movement began with the close of the industrial depression which followed the panic of 1893 and which, as a matter of origin, can be traced to the Baring panic of 1890. The steady fall of prices and the slow-moving liquidation of credit during this period had severely handled the manufacturers and traders of the United States. The aggregate liabilities of failures in manufacturing and trading from 1894 to 1898 exceeded seven hundred and fifty millions of dollars. Few business men made large profits. Almost everyone had his scale of earnings greatly reduced. Many of those who did not fail outright staggered under heavy burdens of debt, and falling prices, and saw their plants deteriorate for lack of the money to keep them in good repair. General business was dull and stagnant. New York clearings decreased eight billions of dollars from 1892 to 1895. The financial world was even more depressed. An index number made up from the prices of ten leading railroad stocks shows a decline from 1892 to 1896 of 31 per cent. Sales of stocks on the New York Exchange, during the same period, decreased thirty-one millions of shares. New issues of stock listed from 1894 to 1896, compared with the three years preceding, decreased one hundred and fifty-six millions of dollars. The surplus cash of the country flowed into the New York banks, and from 1893 to 1897, their surplus reserve available for loans seldom fell below twenty millions of dollars. The rate on call loans during the same time seldom rose above one per cent. But easy money was powerless to excite much speculation. The people were busy with debt-paying. They had realized the penalties of overconfidence and they were in no humor for risk-taking. In

<sup>1</sup>"Commercial and Financial Chronicle," vol. 69, p. 55.

the retrospect of 1895 the "Financial Review" remarked on the situation as follows: "The result of these hard times has been to make our own investors unusually cautious and to produce extreme wariness of American securities, on the part of foreign capital. Under such conditions it could not be expected that the listings of stocks and bonds representing *new* enterprises would be heavy."<sup>1</sup>

With the summer of 1897, recovery began. A large wheat crop, sold at good prices, increased the earnings of the grain-carrying railroads and stimulated investment in their securities. From 1896 to 1897, the earnings of the five "granger" roads running into Chicago increased \$14,677,000. The effect of increased earnings was soon felt in the stock market. During 1897, the prices of these granger stocks increased as follows; the first quotation being the lowest price in January and the second, the highest price realized during the year:

Atchison, Topeka and Santa Fe (preferred)	22½ to 35½
Chicago, Burlington and Quincy . . . . .	69½ to 100½
Chicago, Milwaukee and St. Paul . . . . .	72¼ to 102
Chicago and Northwestern . . . . .	102¼ to 132½
Chicago, Rock Island and Pacific . . . . .	65½ to 92½

Other railroad stocks advanced in sympathy with the grangers, the increase being as much as twenty points in the case of several roads and reaching 29½ in Northern Pacific preferred. Under the stimulus of higher prices the sales of stocks on the New York Exchange increased in one year twenty-two million shares. The buying, however, was as yet almost wholly confined to old securities. Large amounts of low priced reorganization securities were coming into the market, and the tempting bargains which these offered occupied the attention of investors, while the rapid rise in all railroad stocks furnished abundant opportunity for speculation.

The industrial revival gathered strength in 1898; another

<sup>1</sup> "Financial Review," 1890, p. 15.

large harvest and continued high prices increased granger earnings \$17,753,000 over the high figures of 1897 and their stocks continued to lift the entire market. Other industries increased their output. From 1897 to 1898 the production of pig iron increased 1,121,000 tons. Foreign trade was also favorable. During this year, exports of merchandise exceeded imports by six hundred and twenty-three millions of dollars, and an importation of \$141,000,000 of gold strengthened the basis of American credit. General business was stimulated by these favorable circumstances. From 1896 to 1898, New York clearings increased thirteen billions of dollars. The rapid improvement of business united with the successful result of the Spanish War to inspire in all classes the most sanguine optimism. The people believed that good times and high prices had come to stay. The first buying of stocks came from the investors, who were attracted by the larger earnings of railroads to transfer their capital to more promising investments. A speculative demand for these securities set in at the same time. Large amounts were bought to sell at an advance. The large profits which were rapidly realized attracted general notice and the demand for stocks became general. The stock market was the place where money was to be made. People of every class and condition caught the fever of speculation and were ready to buy. It was impossible to supply this demand for stocks from existing issues. Most of these were held for investment and only small quantities came into the market. The time was ripe for the promotion of new enterprises. New schemes were organized and their securities were readily sold.

This condition called the "promoter" to the front. It is the promoter who organizes new companies and places their prospects before the speculative and investing public. His organizing energy usually, although not of necessity, follows the line of largest immediate advantage to the community. Is there a demand for new industries, or new



combinations of industries?—the promoter recognizes this fact, organizes companies, and supplies the demand. Taking advantage of the most promising outlets for industrial activity, he capitalizes the new opportunities and markets the securities while the public is in the humor for buying shares. If we go back to the early years of our industrial history, we find him organizing banking and land companies. At a later period railroad schemes were put on the market. Public service corporations, mines, and street railways have each had their share of attention. Whenever an opportunity is presented for the exploitation of new resources, or new conditions, the promoter is on hand with his prospectuses and his propositions "to be submitted to the approval of the investing public."

Railroads had furnished the bulk of the new securities since the Civil War, but in 1898 railroads were no longer available. The country had been well equipped with transportation facilities and few prospects for new mileage were put forward. From 1886 to 1889 28,545 miles of railroad were constructed, from 1896 to 1899 only 3,642 miles. From 1886 to 1889 \$1,421,800,000 of railroad securities were placed on the market. From 1896 to 1899, however, we have had an increase of only \$481,900,000 of railway stocks and bonds; most of them, moreover, being investment securities and selling at high prices. The former outlet for investment had been closed and a new one was now to be opened. This outlet was furnished by the organization of the industrials. Says the "Financial Review" of 1900 in its retrospect of 1899: "The extreme industrial activity engendered a feeling of great confidence, very propitious to the creation and multiplication of new industrial enterprises. Easy money in the early months, caused by a congestion of currency at this centre, materially aided the movement. The result was the formation and flotation of industrial undertakings of enormous magnitude and in unparalleled numbers. In every industry, in every line and branch of

trade, great consolidations and amalgamations were planned and in most cases carried into effect. It was the great opportunity of the promoter and he was not slow to avail himself of it. Seeing in any given trade a large number of separate businesses or manufactories, his effort was to merge them together in one large corporation, ensuring partial or complete control, and giving at least the appearance of monopoly."<sup>1</sup>

The financiering of these industrial combinations it is now proposed to examine. I shall discuss (1) the inducements offered by the promoter to the firm owners; (2) the process by which the separate plants are purchased; (3) the profits of the promoter; (4) trust securities and the stock market; (5) the reasons for the collapse of the common stock, and (6) the financial outlook for the new organizations.

I. The principal inducements offered by the promoter to the firm owner are (*a*) the economy of combination and (*b*) the bonus in cash or stock. I shall discuss these in the order of their importance.

(*a*) *The economics of combination.*—The great distances which separate the centres of population in the United States, and the high transportation cost of supplying distant markets, have brought about a grouping of the chief manufacturing industries near the principal markets upon which they depend. Especially does this come about where the product is heavy and bulky and of a low value in proportion to its weight. This applies to most of the raw materials and half-manufactured products—the lines of manufacture, that is to say, in which most of the new combinations have been formed. The location of supplies of raw material is also a determining factor in the grouping of industries. The best illustration of this principle of the dispersion of industry is offered by the location of the plants of the iron and steel industry.

The grouping of plants about particular centres is fa-

<sup>1</sup> "Financial Review," 1900.

miliar. One group is located in New England, another in Eastern Pennsylvania, another in the Pittsburg-Cleveland district, a fourth about Chicago, a fifth about St. Louis and a sixth about Birmingham. Colorado and California have also developed iron and steel industries of some importance. In the Pittsburg-Cleveland, Chicago and Birmingham districts are to be found plants representative of the leading branches of the industry—blast furnaces, steel plants, rolling mills, wire and rod mills, bridge works, tin plate mills, and in general all the manufacturing industries which get their raw materials from the iron and steel industry. The subsidiary industries of the Pittsburg-Cleveland district are especially numerous, but it is only a question of a short time before Chicago and Birmingham will develop the branches in which they are now inferior to the East. Colorado is also rapidly developing a complete equipment for the manufacture of all kinds of iron and steel goods. Worcester, Philadelphia, St. Louis and San Francisco, on the other hand, buy their raw material in the form of pig-iron and steel billets from the centres where ore can be most profitably reduced and manufacture it into the finished form, gaining thereby an advantage in their local market over their competitors, who can indeed purchase their raw material more cheaply, but are handicapped by the higher charges on more highly finished products. Other industries follow in their location the same principle. The points of largest advantage are those which lie nearest the desired market, and the industrial centres are, therefore, widely separated one from the other. If supplies of raw material are also easily available, such a location becomes of pre-eminent value. Proximity to the market, however, other things being equal, is, in most cases, the deciding factor in the location of manufacturing plants. We see this illustrated in the western movement of the boot and shoe industry, which brings the manufacturer nearer his western market, and at the same time closer to his raw materials. We

see it also in the location of the sugar refining industry, which, though drawing its chief supply from abroad, has distributed its plants along the Atlantic seaboard, as near as possible to the various markets, and has also located plants at New Orleans, St. Louis, and San Francisco in order to get as close as possible to the market and to reduce to the lowest point the charges of transportation. We have then a division of the country into industrial centres, or groups of plants which correspond to centres of population and supplies of raw material.

Within each industrial centre is usually found more than one plant representative of each industry; and between these rivals there springs up an intense competition which, unless previously settled by some combination agreement, results in the victory of the strongest and best equipped. The losers in the contest are either crowded out altogether, or take up with some patented specialty. This rule applies particularly to industries like that of iron and steel production where large capitalization means cheap production. In the textile industries, where large capital is not so important, the process of consolidation is longer delayed, although even here a few large plants in every district are coming to monopolize the field, and it is only a question of time before these plants will decrease in number and increase in size by extermination of the weaker or by consolidation.

In the iron and steel industry, however, where more trusts have been organized than in any other—this movement toward consolidation has gone rapidly forward, and has already resulted in the concentration of production in the hands of a few large firms or corporations with a fair prospect that the weaker of these must either effect a combination with the stronger competitors or be exterminated. There are steel plants at Youngstown, Cleveland and Wheeling which have managed to thrive and grow in the immediate neighborhood of the Carnegie Works at Pittsburg. This development of outside plants has been largely by suffrance of the Carnegie

Company, which has had all the business it could handle without making a fight for the trade of its neighbors. It is only a question of time, however, before the Carnegie Company, owning its own mines, boats, railroads and coal fields, and equipped with the finest plant in the world, will come into conflict with its neighbors, and unless they can gain similar advantages, which is not likely, or unless they can effect some combination with the Carnegie Company, will drive them entirely out of the lines which it wishes to control. The outcome of this competition within industrial centres is the survival of a few strong firms, possibly it is not extravagant to say, of one strong firm in each branch of industry. It is of course conceivable that the process of concentration should go so far as to locate the steel industry of the entire country at Pittsburg, and to concentrate other lines of production in the same way, each at the point most favorably situated, but present indications and past experience do not point to this result. There is a limit to the economical increase of capitalization within a single plant, a limit reached long before the capacity of supplying the entire market is attained, and there is also the factor of transportation charges, which becomes more important as all plants are tending to greater equality of advantage, and which every improvement in transportation, discriminating as it does against the more valuable finished product and in favor of the more bulky raw material, only serves to emphasize. It seems likely that the dispersion of all manufacturing industries according to the location of markets is the ultimate goal of industrial development. The manufacture of tobacco, of meat products and of cotton goods has followed the lead of the iron and steel industry, and has been rapidly dispersed over new markets within recent years. There is little reason to expect a reversal of the process in the case of those industries whose location already conforms to widely sundered markets.

Within each group, therefore, when local competition is



eliminated, there tends to be a qualified monopoly, checked and controlled, however, by the competition of other centres. In the iron and steel industry Colorado and Birmingham are so far distant from competing centres of industry that the restraints of inter-group competition are not much felt; but all other centres are near enough to each other to be influenced by the prices of the nearest competitors. Given equal equipment and facilities for production, each centre will control the prices in its immediate market, providing that it does not raise them to such a point as to more than equal the differential advantage which its location gives. This, however, is an important restriction, and so long as competition between centres prevails, serves to hold prices the country over to a competition level. The monopoly power of location is tempered by inequalities of advantage—the Carnegie Company, for example, influencing the entire country—and shades off toward neutral territory until at all points economically equidistant from each other, perfect competition prevails. Free competition, therefore, if allowed to work out to its ultimate conclusion, results in control of particular markets by particular firms for the larger part of the sales made in that market, and in a near approach to competitive prices in all markets where outside selling is to be feared by local producers.

This competition, whatever the public may think of it, is irksome to manufacturers. They are subject almost everywhere to a double inconvenience. They are fighting the local battle to its finish, often with much loss and trouble to all concerned, and even when this process of local centralization is accomplished, the control of the local market to which the successful have looked forward is restricted by the fear of outside competition to follow any attempt to raise prices more than a little above the competitive level. Moreover, they are driven on by fear of their competitors to make large expenditures upon betterments, to keep their plants up to the very highest standard of efficiency, and to



enlarge their capacity and lower their prices in order to control the market which is always slipping from their grasp. This policy of rapid improvement and large capital expenditure is no doubt for the advantage of the manufacturer under the given conditions and it results in remarkable improvements and discoveries from which the public gains an advantage in lower prices. But whatever its social effects, the manufacturer is not satisfied with its financial results. Such a policy is very hard on dividends. A high rate of dividend is practically impossible, and the payment of any dividend is dependent on the accumulation of a heavy surplus investment. Especially is the lot of the competitive manufacturers hard in times of depression. Then their only safe course is to improve and construct, to put practically all their earnings into betterments, and to trust to improving business to pay them. From 1892 to 1898 the Illinois Steel Company paid only one dividend while it nearly doubled the capacity of its plants. A moderate success under these circumstances is only to be attained by constant watchfulness and strenuous endeavor. It is true that success has been achieved in spite of competition. The constituent companies of the American Tin Plate Company, according to Mr. Griffiths' testimony before the Industrial Commission, made 20 per cent the year before consolidation. The prospectus of the National Tube Company stated that the annual net savings of the constituent companies was between two and three millions from 1893 to 1896. The American Window Glass Company reported individual earnings during 1898 of \$2,483,344, American Woolens \$1,750,000 during 1898, and American Smelting and Refining \$1,890,000 during the same year. Similar claims are made by every trust prospectus, and although some of them may be exaggerated for stock market purposes, still, since these figures are average earnings and represent the losses of the weak concerns who are barely above the surface, as well as the larger gains of the strong and prosperous, the

existence of some margin of profit for the stronger firms, even under competitive conditions, and in periods of depression, seems to be pretty clearly demonstrated. But this margin is hardly attained. It is desirable from the manufacturers' standpoint to stop this worrisome struggle, whose benefits are nearly all of them gained by the consumer in low prices. The manufacturers are tired of working for the public. They want a larger profit without such a desperate struggle to get it. This applies to the larger firms, the "money makers," as the American Glass Company's prospectus affectionately styles them. Of course, for the weaker concerns, competition is really disastrous. If they do not find some specialty, competition will eventually drive them out of business.

Many attempts had already been made before 1898 to remedy this troublesome state of affairs. Pools, selling associations and agreements of various kinds had been formed and re-formed. But, based as they were upon free consent, such arrangements were temporary. The collapse of the steel rail pools was expected at regular intervals, and large buyers were accustomed to wait for the break to make their purchases. The "Trust" movement during the eighties promised a more stable regulation.<sup>1</sup> In this form of organization, agreement between manufacturers was secured by depositing individual stocks with trustees, in exchange for trust certificates. These trustees managed the entire business for the benefit of the holders of the certificates. But public opinion and legislative enactment nipped this promising movement in the bud, and manufacturing industry fell back into the wholesome but excruciating struggle of competition. Some attempt had been made after the downfall of the Trust movement to unite competitors under a single company. American Sugar Refining, Ameri-

<sup>1</sup> It is unfortunate that the term Trust should have been applied to the recently-formed combinations, since it does not describe them, but refers to a defunct form of corporate organization. Popular usage, however, compels an adherence to the misnomer, and the reader can only be warned against a misunderstanding.

can Tobacco, United States Cotton Oil, General Electric, and a few other consolidations had been formed before the panic of 1893, and the success achieved by some of them (the Consolidated Steel and Wire Company, for example, according to Mr. Gates, having earned, from 1895 to 1898, 27 and 28 per cent) served to keep the ideal of consolidation in mind until a more convenient season.

The advantages of combination had come to be generally recognized, not only by manufacturers but by the public at large. Whatever the popular opinion of monopoly, the gains of monopoly, exemplified by the oil, sugar and tobacco combinations, were known to be enormous. Officials of these companies might ascribe the large profits to the economies of large production, but the people at large were inclined to attribute them rather to the control of the market which the combination afforded. "Overproduction," the "wastes of competition," and such like explanations of the industrial depression united to emphasize the advantages of consolidation and monopoly. Here then was the promoter's opportunity. On the one hand, the manufacturer was weary of competition and anxious to combine. On the other hand, the public was profoundly impressed with the large profits of monopoly, and eager to share in those profits if opportunity were given, while at the same time railroads had largely withdrawn from the stock market and a speculative demand for new stocks was gathering force and headway. A more promising opportunity to sell stocks had never before been offered to the bold and energetic pioneers of industrial progress, and they hastened to take advantage of an opening so fortunate. In 1898 and 1899, the convenient season for consolidation had arrived, and the promoter came forward with his scheme.

He proposed to the manufacturers that he would organize a company and purchase their plants outright with its stock. Instead of fifty firms, all more or less embroiled with one another, he proposed to substitute one gigantic corporation,

which should take in every plant of importance and make competition impossible. There was to be but one corporation in each industry, one wire company, one glass company, one bicycle company, one company manufacturing tin plate. By selling their plants to the new company and taking its stock in exchange, individual firm owners could either retain an interest in the business, or they could sell their stock and free their capital for other uses. His chief inducement was the prospect of monopoly control by the elimination of competition. Abundant evidence that the desire to escape the burdens of competition was the main incentive to the formation of the trusts, and that those evils, moreover, were the low prices prevailing is to be found in prospectuses and in the evidence before the Industrial Commission. The claim of the National Glass Company has been already referred to. It was to take in "every money-maker in the tableware trade of the country."<sup>1</sup> The American Window Glass Company, in its prospectus, also evidences the chief motive to consolidation. "The advantages of consolidation are shown by the increase of profits in 1898 and 1899, while the small profit shown for 1896 is partly due to the operation of a limited number of pots, it is largely due to excessive competition. In 1897 the American Glass Company (a selling agency) was formed and its beneficial effects were at once shown. It is reasonable to infer that further economies in production will arise from consolidation which will still further increase the profits."<sup>2</sup> Mr. Daniel G. Reid, president of the American Tin Plate Company, stated before the Industrial Commission that the company was formed "for the purpose of getting together to do away with foolishness in making prices, and competition, I suppose, would enter into that, although there is competition in the field against us."<sup>3</sup> In another place Mr. Reid strengthened this ex-

<sup>1</sup> "Commercial and Financial Chronicle," vol. 69, p. 593.

<sup>2</sup> "Commercial and Financial Chronicle," vol. 69, p. 745.

<sup>3</sup> "Report of the Industrial Commission," vol. 1, p. 885.

planation: "It seemed that there would be a good deal more money in the business than there had been in the past; there would be no cutting of prices down to a losing basis."<sup>1</sup> Mr. William Griffiths, a tin plate manufacturer who sold out to the trust, stated that the prospect of monopoly was one of the inducements which were held out to influence him to sell.<sup>2</sup> Additional evidence is found in the location and number of the constituent plants. It is a familiar fact, emphasized in every prospectus, that the trusts control the greater part of the output in the industries in which they are formed, 75, 90, and 95 per cent being common figures, but the implication of this statement is not so generally recognized, viz., that they follow in their location the grouping of industry which has just been described, and that they unite under one organization plants which are often thousands of miles from each other, whose only possible connection was that of competition, and where the sole reason for union was obviously the wish to avoid that restraining influence. Take the plants of the American Steel and Wire Company, as one of the best examples of this transcontinental feature of the trust formation.

*List of Plants Forming the American Steel and Wire Company of New Jersey.*

State.	Name of Plant.	Location.
1. Massachusetts .	{ Washburn & Moen . . . . . Worcester Wire Co. . . . . }	Worcester.
2. New York . . .	Newburg Wire and Nail Co. . .	Newburg.

<sup>1</sup> "United States Industrial Commission," p. 884.

<sup>2</sup> *Ibid.*, vol. 1, pp. 901-902.

Q. "When these promoters visited you first in the interest of the American Tin Plate Company, did they express anything to you as to the avowed purpose of the formation of this company, or trust? What was the object of the trust? A. Oh, yes; they gave us to understand that if the trust was formed, of course it would hold absolute sway.

Q. And the purpose was, then, to crush competition entirely, and to raise the price of tin plate? A. Of course, they would not say it in as strong phraseology, but they would say it in another way.



State.	Name of Plant.	Location.
3. Pennsylvania . .	Consolidated Steel and Wire Co. . . . .	Allentown. Rankin.
	Salem Wire Nail Co. . . . .	Beaver Falls.
	New Castle Wire Nail Co. . .	New Castle.
	Allegheny Furnace Co. . . . .	Allegheny.
	Shoenberger Steel Co. . . . .	Pittsburg.
	Oliver & Snyder Steel Co. . .	
	Oliver Wire Co. . . . .	
	A. R. Whitney & Co. . . . .	Duncansville.
	American Wire Co. . . . .	Cleveland.
	Consolidated Steel and Wire Co. . . . .	
4. Ohio . . . . .	Emma Furnace of Union R. M. Co. . . . .	
	Cleveland Rolling Mill Co. .	Cincinnati.
	Cincinnati Barbed Wire Co. .	Salem.
	H. P. Nail Co. . . . .	Findlay.
	Salem Wire Nail Co. . . . .	Anderson.
5. Indiana . . . . .	American Wire Nail Co. . . .	Crawfordsville.
	Indiana Wire Fence Co. . . .	Joliet.
6. Illinois. . . . .	Consolidated Steel and Wire Co. . . . .	Rockdale.
	J. L. Elwood Mfg. Co. . . . .	De Kalb.
	Elwood Wire and Nail Co. . .	
	Laidlaw Bail Tie Co. . . . .	Joliet.
7. Missouri . . . . .	Consolidated Steel and Wire Co. . . . .	St. Louis.
	Laidlaw Bail Tie Co. . . . .	Kansas City.
8. Kansas . . . . .	Consolidated Barbed Wire Co. .	Lawrence.
9. California . . . .	Washburn & Moen Co. . . . .	San Francisco.
10. Washington . . .	Puget Sound Wire, Nail and Steel Co. . . . .	Everett.

Observe the vast extent of territory which is here included—ten states in all, with Massachusetts and California at either end of the line. Other trusts show the same thing though on a more limited scale. The plants of the American Sugar Refining Company are located in six states, including Louisiana and California. The Republic Iron and Steel Company is represented in eight states, including Alabama, Minnesota and Pennsylvania. The American Tin



Plate Company has its plants in five states, including Missouri, Indiana and Pennsylvania. The Continental Tobacco Company is located in six states, and the American Car and Foundry Company in seven states. Sometimes, it is true, the organization is local in character, such as the Minneapolis Breweries Company, and the Pittsburg Coal Company or it may, for some special reason of manufacturing advantage, include plants situated in states immediately adjoining, as International Silver, International Paper and the Whiskey combinations; but, as a general rule, the trusts include plants which are so widely sundered that the elimination of competition was plainly the dominant consideration in bringing them together.<sup>1</sup>

We may, I think, consider this point to be established. The desire to stop competition was the principal reason for the formation of the trusts, and from the producers' point of view, it was a perfectly valid reason, a reason which would appeal to any of his critics were they placed in a similar position. The suppression of competition has a number of aspects which commend themselves with almost equal force to the producers. To begin with, there is the selling price of the product. If combination is once secured, the unity of action secures a stable price at all times and enables the managers to change their prices with the state of trade in such a way as to secure the largest net return. When business is brisk and the demand is strong, they can take the fullest advantage of the situation by raising prices as high as the traffic will bear. The recent advance in the price of refined sugar is a case in point. Under competitive conditions, individual producers could never be sure that some special arrangement was not being made to their disadvantage, and large consumers could play them off one against the other so as to keep prices below the point to which the demand would naturally carry them. In

<sup>1</sup> List of plants given in "Poor's Manual of Railroads, 1899—" Heading, "Miscellaneous Corporations."

the same way, when prices are falling, the directors of a combination can feel secure against the reckless cuts and sacrifice sales with which hard-pressed firms are constantly threatening the market. They must indeed lower prices at such a time, but they do not make excessive reductions, and by their control of the supply, they can often check the decline and even convert it into an advance. Then, too, in dealing with the railroads, combination gives a great advantage, and in their purchases large corporations enjoy the position of the strongest buyer.

Export trade, moreover, can readily be developed to take off the surplus which stable prices will not suffer to be sold in the home market, and in this way plants can be kept running with greater continuity and larger profit than when every fall in prices means extensive shut-downs. In the same way that railroads charge lower rates on low class traffic which fills westbound cars, and so increase their net earnings by keeping all their equipment in use, the combinations, by making low prices abroad, can work off any surplus upon foreign markets and keep their machinery in more constant operation. This is the same theory of selling which underlies the German protective system, to extend the foreign market by the sale of surplus stock, increasing foreign sales when the home market weakens, and reducing them on a revival of local demands. Export trade is thus used as a "make-weight" to supply the deficiencies in revenue, which result from dull markets at home. Just as the English income tax is used to fill up the gaps in the revenue, so under the system of large corporate organization, the foreign demand is relied on to maintain the level of net earnings.

The advantage of combination in dealing with trade unions need only be mentioned. A monopoly of labor is offset by a monopoly of employment, and the manufacturers' position is much stronger than when each one has to meet unaided a great labor organization. Other advantages are

found in concentration of office force, distribution of special processes, advertising, cross-shipments and saving in selling agents. These, however, are of minor importance. The management of the industry has not been much changed. Particular markets will continue to be supplied from the nearest plants, just as they were, in largest part, before, a fact which greatly weakens the claim for economy in cross freights. Moreover, if the combination wishes to push its goods it must advertise. The National Biscuit Company has succeeded by increasing its advertising.<sup>1</sup> As to the distribution of special processes, this is no doubt an advantage, but in the lines of industry where trusts have been most largely formed, raw materials and half-manufactured products, its importance may be easily exaggerated. It should be remembered that many plants in each trust are already equipped with the best machinery before they enter the combination. It is true that a harshly critical and censorious public opinion has compelled the trust officials to exaggerate the importance of these minor economies of combination and studiously to conceal their hope to control prices, but these minor savings upon which such labored emphasis is put, are evidently reflections from the greater advantages of controlling the supply, and the inconveniences which they dispense with were made necessary by competition and competitive prices.

(b) *Cash or stock bonus offered.*—This inducement of the elimination of competition, although powerful, was not in all cases sufficient to secure universal consent to enter the combination. The weaker firms, indeed, to whom independent existence threatened destruction, gladly accepted, without quibble or dispute, the offer to take shelter under the wings of the trust. With the stronger firms, however, there was often more trouble. These, it will be remembered, had been making money. They were in no way forced to combine, and to many of them the prospect of being swallowed

<sup>1</sup> "Commercial and Financial Chronicle," August 26, 1899.

by a trust was not pleasing. To them other and stronger inducements must be offered. Moreover, shrewd business men in control of large plants know that their co-operation is essential to the formation of the trust. If strong competitors refuse to combine, the attractiveness of the proposition is much diminished, and it is likely to fall through. Indeed, the union of all the important plants is deemed to be quite indispensable. The organization of the Continental Tobacco Company, for example, was delayed several months until terms could be made with Liggett & Meyer, of St. Louis, whose competition made successful control of the plug tobacco trade very uncertain. This anxiety on the part of the promoter to secure the consent of strong firms to sell out to the combination, in order to make his proposition as attractive as possible to the stock market, offers a basis for cash negotiations, and enforces the necessity of cash payments to reluctant and desirable firms. Liggett & Meyer received from the Continental Tobacco Company \$12,500,000 in cash for their plant, and the American Steel and Wire Company had to provide \$15,000,000 for the purchase of plants. Even when the plants are not purchased outright a cash bonus has often to be given, varying in amount with the importance of particular plants to the combination, which is necessary to put it through. These bonuses and payments come under the head of "special arrangements" which must be made by the promoter, putting him under the necessity of financing the trust by raising the money.

He has two ways of meeting these difficulties, (1) by a special inducement in the exchange of stock for plants (his original proposition to all alike), and (2) by the sale of stock to underwriters. A weak firm, as just indicated, is glad to get in on any terms. The promoter agrees upon a value of the plant and pays for it in preferred stock, usually at par value. The firm owner here merely exchanges his earnings for the greater certainty which the preferred stock offers him. This does well enough in the majority of plants. With strong

firms, however, as just noticed, an extra inducement must be offered. In such cases the preferred stock is given for the value of the plant, varying in amount with the strength which each owner shows in bargaining and the amount of trouble he would probably make if his terms were not acceded to; also depending, in many cases, upon his relations with the promoter, and in addition a certain amount, usually one share of common stock, is given with each share of preferred. The advantages of this arrangement to the firm owner are obvious. His preferred stock protects him in a prior claim to 6 or 7 per cent of net earnings, and he can sell the common stock at 35 or 40 without endangering his preferred. He has received an interest in the new combination equal in value to the plant which he sells, and in addition what amounts to a present of one-half the value of his plant in common stock. The common stock of American Tin Plate sold above 30 until December, 1899, of American Steel and Wire above 45 during the same period, while Continental Tobacco, International Paper and Federal Steel, common, also maintained a good value throughout most of 1899. There was no difficulty in realizing a substantial amount of cash through the bonus of common stock. It is not strange, under these circumstances, that the firm owners, although offered the choice between cash and stock, in the great majority of cases chose the latter. If they took cash, they would get the value of the plant. If they took stock, they got the value of the plant in preferred, and what the common would sell for in addition. Another inducement has been the offer of situations as general officers or district managers to influential stockholders and firm owners. These positions carry high salaries and great distinction. The promoter makes these arrangements and appoints the officers before he parts with the stock. After that they must see to their own positions. This inducement, it will be noted, is so much extra gain to owners who are not already in receipt of salaries, and compensates salaried owners for the loss of their former positions.



This general acceptance of the bonus of common stock as an equivalent for the superior value of strong firms to the combination, although expected, could not be counted upon with absolute certainty. Cash might be demanded and the entire amount necessary to buy all the plants thus circumstanced must be provided by the promoter. In some cases where cash was demanded, however, the combination could not be financed. American Potteries, for example, fell through, because the firm owners demanded more cash than the promoter could furnish. Moreover, there were some plants to be paid for outright, and there were the debts of others to be provided for. A large amount of cash was required for these purposes and to obtain this cash the trust must be underwritten.

Another means might be resorted to. The new company might issue bonds to the minimum value of its plants and thus obtain the necessary funds. It might at least guarantee the bonds of the constituent companies and refund their floating debts into its own securities, in this way lessening the amount of the cash payment. But for many reasons the issuing of bonds is not desirable. It very materially lessens the attractiveness of his proposition if it includes a stipulation that the plants are to be put under a mortgage. The firm owner with his preferred stock, both as to earnings and assets, can probably get his plant back again if anything goes wrong, but if he consents to put bonds ahead of his stock he may suffer heavy losses in a reorganization. The incurring of indebtedness also lessens the value of the stocks and it is necessary that stock should be sold. So long as a company is out of debt it cannot go into bankruptcy, and its stockholders are safe from reorganization assessments. A mortgage lien, however, especially when the enterprise is new and untried, makes its success much more doubtful. Moreover, the bonds of a new enterprise must be sold at a heavy discount. A recent issue of trust bonds, underwritten at 92½ by one of the largest houses in New York,



brought only 70 in the market. For these reasons but few bonds have been issued by the trusts. During the first six months of 1899 only \$119,800,000 of bonds were issued by the trusts as against \$3,022,000,000 of stock.<sup>1</sup> Where bonds have been issued, debentures and income bonds upon which interest need not be paid unless earned, have been generally employed, or if the bonds carried an obligatory interest charge, a sinking fund clause has provided for their early retirement. The Federal Steel Company assumed \$30,000,000 of the bonds of its constituent companies, and the International Paper Company has issued \$9,000,000 of bonds out of its authorized bond issue of \$10,000,000, but these are the only important exceptions. This is in striking contrast to the practice of the railways. The total bonded debt of the Chicago, Burlington and Quincy, Illinois Central, Chicago, Milwaukee and St. Paul, New York Central, and Pennsylvania railroads amounts to \$642,000,000, while their combined issues of stock are \$421,000,000. The trusts, however, are not to be criticised for refusing to mortgage their plants. As just remarked, it would be difficult to float the scheme, if fixed charges were placed ahead of the stock, and besides this an easier and safer way to raise cash is open to them, namely, by the issue of extra stock whose sale is secured by previous arrangements.

II. Two methods are employed to secure the sale: (a) underwriting, and (b) the sale of privileges.<sup>2</sup>

(a) *Cash purchases and underwriting*.—The underwriter insures the sale of securities at a certain price—lower than the market price by a margin sufficient in his judgment to

<sup>1</sup> "Commercial and Financial Chronicle," vol. 69, p. 57.

<sup>2</sup> This issue of stock, above what is necessary to pay for the plants purchased for stock, for a large part of its amount is really not an extra issue at all, but represents an indirect exchange of stock in the acquirement of properties or in the payment of debts, both of which strengthens the earning power of the combination. In so far as common stock is issued for underwriting commissions, the matter is no different from giving it as a bonus to firm owners. In one case stock is given directly for plants, in the other it is given indirectly by being first sold to the underwriter.

secure him against loss. A first-class bond selling at par will usually be underwritten at 98. A fluctuating industrial selling around 60 will be underwritten at 50 or 45. The underwriter agrees to take the stock at the price fixed upon if it is not sold within a stipulated time. In return for this guaranty he receives a bonus of stock, which, in some cases, is very large. Seligman and Company, for example, are reported to have received \$11,000,000 of common stock for underwriting the American Steel and Wire. Of course the risk was great, and in this particular instance the decline in the stock to 30 within a few months greatly diminished the value of the bonus. If enough securities are sold to provide the necessary cash the underwriter makes the entire value of his commission. If the shares cannot be sold he makes up the amount of cash lacking by purchasing stock at the price agreed upon. Underwriting has usually been undertaken by private bankers and trust companies. The entire responsibility is seldom assumed by the underwriting firm. Their business connections are admitted to a share in the responsibility and the commission.

(b) *The sale of privileges.*—The second method, one which has been frequently employed to finance combinations, is the sale of privileges. A privilege in trust finance is the right to receive in exchange for \$10,000 one hundred shares of preferred stock and a certain amount—usually one hundred shares—of common. The value of the privilege is the difference between the value of the shares and \$10,000. This same privilege was offered to the principal manufacturers in lieu of a cash payment. This method of underwriting was followed in the case of American Tin Plate. Judge Moore explained the method to the Industrial Commission as follows: "There has been no underwriting, what is technically known as underwriting, in any of these. Bankers and capitalists all over the country, after it was known I had made a success of this organization, applied by wire, letter and telegram to subscribe for the capital

stock."<sup>1</sup> Besides American Tin Plate other examples of privileged financiering are National Distilling, National Biscuit and American Car and Foundry. The value of these privileges has already been shown in discussing the inducement offered to firm owners to accept stock for their plants instead of cash. As long as the value of preferred and common together exceeds \$100 there would be no difficulty in raising money by the sale of privileges. The highest value of the privilege in the National Biscuit during the last two years was  $57\frac{1}{2}$  in February, 1899, and of American Tin Plate  $39\frac{1}{8}$  in August, 1899. This does not mean, however, that all the stock taken by underwriters was disposed of at these figures. The stock must be worked off gradually as the market was able to bear it, and any attempt to hurry matters would have made the privileges worthless. As it was, their value in December, 1899, was only  $26\frac{7}{8}$  for National Biscuit and  $5\frac{1}{4}$  for American Tin Plate. This method of financiering does not differ essentially from underwriting proper. In either case, it is the bonus of common stock which offers a profit on the transaction. The sale of privileges is preferable wherever it is possible to interest the firm owners more largely in the combination by selling stock to them on this basis. Judge Moore stated before the commission that the firm owners, as soon as they saw that the combination would go through, were anxious to take the stock which had been set aside for a syndicate.<sup>2</sup>

III. *The profits of the promoter.*—The work of the promoter is now ended, and the amount and manner of his profits may next be considered. The gains of promoters are contingent on their success in buying plants and making underwriting arrangements. They seldom put any money into

<sup>1</sup> "Report of the Industrial Commission," vol. 1, p. 963.

<sup>2</sup> I have given in the foregoing the most common methods of exchange and underwriting. In the multitude of consolidations which have been financed during the last two years there has been room for a great many deviations from the forms here described.

the combination, and whatever stock there is left after the arrangements are completed constitutes their profit. Their situation is analogous to that of a railroad construction company. There the practice is for a few men to form a company and obtain a franchise to build a railroad. On the strength of this franchise they issue as many bonds as they can get underwritten and a certain amount of stock in addition, an amount very often equal to the bond issue. Then these same persons form a construction company to build the road, taking their pay from themselves as a railroad company in bonds which carry with them as a bonus the greater part of the stock. The profits of the construction company consist of the difference between the cost of the road and the amount obtained for the bonds and stock. These profits can be increased by diminishing the cost of the road, and they also depend on the price obtained for the securities. On a rising market, when securities find a ready sale, these profits are large. On a declining market, however, in spite of the excessive compensation which the construction company often allot to themselves, their operations may often result in heavy losses, if the securities cannot be sold for the cost of the road. The trust promoter is in much the same position. He forms a company and obtains a charter which authorizes him, among other things, to purchase manufacturing plants. The company then issues preferred and common stock, the preferred stock presumably equals the value of the plants, while the common stands for the economies of combination. The promoter now uses the stock to purchase the plants. Some of it he is obliged to give away in bonuses to secure the consent of the stronger firms and to reimburse the underwriters. If the plants can be purchased and the underwriting secured with less than the whole issue of stock, the promoter makes a profit by the sale of the stock which is left. This profit depends on forcing favorable terms from firm owners and upon the condition of the stock market. We can now understand the invariable se-

crecy which surrounds the dealings of the promoter with the firm owners. Every effort is made to prevent any knowledge of the amount of the options from getting abroad. Judge Moore stated the matter as follows before the Industrial Commission: Q.—“At any time did any manufacturer know the option of any other manufacturer?” A.—“Not if I could keep it from him.” Q.—“So there was no opportunity for comparisons?” A.—“It was a business transaction. Each manufacturer imagines his plant is better located; better than his neighbors'; he knows it is; he has no doubt about it.”<sup>1</sup> The inference is so obvious that I need do no more than call attention to it. By keeping each manufacturer in ignorance of the terms offered to every other, the promoter is able, even as between plants of equal value, to make better terms with some owners than with others. He can take advantage of individual ignorance of the general situation, and can often magnify the advantages of combination, while those with whom he is dealing have no opportunity by comparing notes, to learn just how indispensable each of them really is to the combination, and so to mutually strengthen each other's demands. This is one aspect of the promoter's profit, the other is conditioned upon the prices obtained for the stock. So far his situation is identical with that of the construction company. He forms a company to accomplish certain results through the exchange of the securities of that company. His profit depends upon the amount of securities which he has remaining and upon their value.

There is one point, however, where the comparison breaks down. The trust promoter has not the same risk of loss as the construction company, which actually undertakes the work of construction. In the case of the railroad, if the securities do not sell for the cost of the road, the construction company which has obligated itself to the contractors suffers a loss.

<sup>1</sup> “Report of the Industrial Commission,” vol. 1, p. 661.



The trust promoter, however, has assumed no obligations nor any risk excepting those connected with his reputation as a shrewd and successful man of business. If he fails to purchase the plants with the securities which he has in hand the combination merely falls through, things go back to their original status. The promoter seldom makes contracts which obligate him to expend money that he cannot obtain by selling stocks. Promoters' profits, therefore, do not represent compensation for risk, but merely for services rendered, and so have not the same justification, if indeed any justification is required, as the profits of the railway pioneers. The trust promoter does not construct, he merely combines what is already constructed. The net result of the trust movement is not, like the work of the railway promoter, a large capital expenditure; it is merely a change of ownership and organization. Whatever risk is assumed in these operations is assumed by the underwriter. Speculation as to the probable amount of these promoters' gains is unprofitable. These profits depend upon two quantities, the amount of the stock remaining in their hands and the price obtained for that stock, and both of these quantities are unknown.

IV. We come now in our inquiry to the stock market. The company has been organized, the options secured, the shares exchanged, the underwriting provided for, the officers selected by the promoter, and the company put in operation. The immediate profits of consolidation must now be realized and to this end the stock must be sold.

*The sale of stock.*—The promoter, unless he retains an interest in the new company, must sell his stock to make his profits. The underwriters have large blocks to dispose of, both of preferred and common. The firm owners have their bonuses of common to sell, and many of them welcome the opportunity to release their capital and turn it into other investments by selling all the trust stock which they hold. Roswell P. Flower, for example, was a large owner of paper



mills which he was instrumental in bringing into the International Paper Company, receiving its stock in exchange. In the settlement of his estate it was found that that he held only one share of preferred and one thousand shares of common stock of the International.<sup>1</sup> All these stocks must be sold to some one if their holders are to realize their expected profits.

*Classes of investors.*—Trust securities cannot be sold to the true investor. The trust is a new enterprise and its success, while perhaps not doubtful, is yet far from being so certain as to warrant a confident expectation that its dividends will be such as to commend it to the favor of conservative investors. An investment security is one whose rate of return is safe, stable and permanent. It is purchased for what it is worth at the time of purchase, and in the expectation that it will maintain about the same value; certainly that its value will not greatly decline. The true investor—qua-investor—is not a business man. He surrenders the chances of large profits and the risk of losses equally large, in return for the assurance of certainty in a fixed income upon which he can depend at all times, and which is not conditioned upon his constant care and effort. Indeed, the value of investment securities depends more upon their permanence and security than upon their rates of return, a fact which is evidenced by the high value of government bonds and hundred year railway first mortgage bonds. The true investor is not a risk-taker, and investment securities are those from which the element of risk and fluctuation has been almost entirely eliminated. Trust securities do not conform to these investment requirements. They represent an experiment. Their success is yet to be demonstrated. Worst of all their legal and political standing is not yet assured, and their business methods have not yet attained that degree of frankness and conservatism which would commend them to a careful investor. For these

<sup>1</sup> "United States Investor," March 17, 1900.

reasons the shares of the new trusts can look for little investment demand.

There is another class of investors, however, to whom the securities of the combinations offer a most tempting inducement. These are the speculative investors. They may in their turn be divided into two classes. The first class is represented by such a man as Russell Sage. Holding a large amount of money constantly in hand, they are on the lookout to buy stocks and bonds which for one cause and another have fallen below their intrinsic value. The securities of reorganized railroads furnish a large field for their activity. Every time of financial stringency which forces large sales of first-class securities and pulls down the price of the entire list, finds these "panic birds" ready to pick up the bargains. They are reasonably sure of large and quick returns on such purchases, because the low prices at which they buy are evidently due to exceptional and peculiar conditions which are certain to pass away, relieving the pressure and bringing prices back to their normal level. These speculative investors, be it repeated, operate chiefly in times of financial stringency. They are the only ones who profit from bankruptcy and depression. They are not in the market for trust securities, and indeed have been largely interested in the underwriting. They are sellers, not buyers of trust stocks.

Eliminating the shrewd speculative investor, we have left a class of investors who are not so shrewd. These are the people of moderate means and moderate intelligence who buy the shares of new companies at a low price, trusting in the representations of the promoter that they will pay large dividends and greatly increase in value. They are tempted by the offer of 12 or 15 per cent to buy securities which are very likely to be worth nothing. The promoter is indeed the pioneer of progress. He takes great risks and runs long chances, but he risks the savings of the great middle class who are ready in every period of inflation to

forget the past and trust him once more. The appeal of the promoter to the investor is illustrated by the following extract from a mining prospectus:

"Bell Telephone was given away for board bills yet has paid over \$36,000,000 in dividends. Calumet and Heckla went begging not so many years ago—its total dividends to date are over \$60,000,000. . . . It would take a day to enumerate the instances where properties rich and great to-day were offered for a song. The people who did buy them are rich now, and why? Not because they were "lucky" but because they investigated promptly, judged the merit of the proposition, and acted while there was time. If they had waited until to-day to buy the shares of these enterprises they would get perhaps 5 per cent on their money—possibly eight—but no more. But buying when they did, they got all the way from 50 per cent a year up to 500 per cent because they had both the judgment to recognize the worth of the opportunity and the courage to seize it. A thorough examination of the details of the Arizona Copper Syndicate will satisfy any man of judgment as to its merits. It is one of the greatest opportunities ever given investors. Investigate it now while the price is low."

*Inducements to speculation.*—Here are the principal inducements to the speculative investor in every new enterprise. Other men have had similar chances and have made fortunes. Why should not he be equally successful? He is not asked to gamble, he is asked to "investigate" an industrial opportunity and act only as his judgment directs. He may be half conscious that the promoter is a liar and that his prospectus is worthy of its author. He may have even been mulcted by similar schemes in the past, but he is carried away by the prevailing optimism of the time; he "feels good," as the saying is, and is ready to listen to the advocates of new schemes for getting rich. Other people are making money fast and he is perfectly certain of his ability to do as well as they. The appeal to his "judgment" and his "courage" is the bit of flattery which is often decisive. When once embarked on a doubtful enterprise he is impelled by sentiment and interest to draw others along with him. Every speculative investor is a promoter. He is zealous in

his advocacy of the enterprise to which he has committed his money. His enthusiasm is infectious. Others are drawn into the net by his representations and they in their turn compass sea and land to make one proselyte. In this way, the wave of speculation is set going and sweeps through all classes of society turning the accumulations of years of effort into the treasuries of the new companies. The situation is universally familiar. A minister or a merchant has a few thousands laid by, a woman has either saved or inherited a small amount, a workman or a farmer has managed to scrape together a few dollars for a rainy day. Such people are found by the thousands all over the country. From their accumulations they draw a small rate of return, often so small that they are constrained to add it to the principal, and do not venture to apply it to expenditure. Four or five per cent clear gain is about all that can be expected. Their lives are hard, monotonous, and infinitely barren. Before their eyes is constantly flaunted the seductive spectacle of leisure class consumption, spurring on their desires which are certain in any event to outrun their means. To such people the prospectus of a new enterprise is wonderfully attractive. In exchange for a few thousands it offers them a fortune. The offer dazzles them. Their desires benumb their small judgments. The risk of the undertaking is forgotten. No investor in a speculative scheme enters it with the thought of risk in mind. The calm balancing of chances is the exercise of a superior order of mind. The speculative investor does not buy a chance, he buys what he thinks is a fortune. The line of speculative investors is very ancient. In 1720 there was printed for W. Bonham in London, "an argument proving that the South Sea Company is able to make a dividend of 38 per cent for twelve years—fitted to the meanest capacities." This was one of the first propositions ever issued and the succession has been worthy of its ancestor—Spanish Jackass Company, Louisiana Bubble, South American Bonds, American Improvement Bonds, English Rail-

ways, American Railways, American Mines, South American Railways, Australian Railways, Rand Mines, American Industrials, John Law, Hudson, Barnato, Hooley, MacIntyre, and Lawson. The line runs true. The Spanish Jackass Company still lives.

*The prospectus.*—The trust puts out a prospectus which differs from that of the Arizona Copper Syndicate only in form. Here is a specimen:

"The International Paper Company, of New York, was incorporated January 1, 1898. It at once took over by purchase twenty-five of the principal pulp and paper mills of the country, which produce from 70 to 90 per cent of all the newspaper manufactured east of Chicago. The average daily output of these mills is: ground wood pulp, 1,050 tons per day; sulphite pulp, 256 tons per day; finished paper (nearly) 1,500 tons per day. The leading manufacturers retain their interest in the industry and many of them are giving their time and energy to the promotion of the business of the new company. The company has issued the following securities, the large majority of which have been used in payment for the mills, water power and woodlands acquired by the new corporation: First consolidated mortgage, 6 per cent gold bonds, \$10,000,000 preferred stock, cumulative 6 per cent, \$25,000,000; common stock \$20,000,000. The appraised value of the property securing the above named bonds is \$40,000,000. Net earnings are now more than sufficient to pay the interest on the bonds, dividends on the preferred stock and 10 per cent on the common stock; while indications fully sustain the belief that they will be even higher in the future. Regarding competition it can hardly be expected to prove successful, if attempted, for the valuable water power and timber lands—400,000 acres of the latter being held—could not be easily duplicated or acquired."<sup>1</sup>

It is no gold mine or land company which the trust promoter has for sale. He fathers no wildcat schemes. He appeals to the "investor" not to the speculator. He has organized the manufacturing industries of the United States into great companies, whose members have already succeeded in their individual capacity, and which cannot fail to achieve far greater success when combined. He will sell

<sup>1</sup> "Commercial and Financial Chronicle," July 23, 1898.



them a stock at forty or fifty, which *must* pay at least 6 per cent on its par value, offering them 12 per cent on their investment. Nearly every prospectus contains this statement. The preferred stock represents the capitalized earnings of the plants before consolidation and all the economies are to go to the common stock. The common stockholder is to be the residual claimant. The preferred stock is represented to be no better off than it was before, but the common is to reap the full fruition of the great step in industrial progress which has been taken. Here is a double inducement, a high rate of interest, or a quick realization of large profits, for the stock is certain to go higher. There is no manner of doubt about it. Here are the properties. Their value has been carefully investigated by expert accountants and preferred stock issued to represent that value. Here are the economies of combination—so much from advertising, so much from freights, so much from patents, a large amount in addition from control of the market. Everything is open and above board. There is no concealment whatever. According to the promoter the thing is practically certain. The prospectus of the International Silver Company is a good illustration of the nature of these promises to the common stockholder:<sup>1</sup>

## SAVINGS BY CONSOLIDATION.

	Present Expenses	Reduced To
Salesroom and clerk hire . . . . .	\$375,000	\$100,000
Travelers' salaries . . . . .	350,000	125,000
Travelers' expenses . . . . .	400,000	75,000
Clerk hire, etc. . . . .	275,000	50,000
Designers, machinists, etc. . . . .	225,000	75,000
Advertising . . . . .	200,000	50,000
	<hr/> \$1,825,000	<hr/> \$475,000
	475,000	
Total saving . . . . .	\$1,350,000	

<sup>1</sup> "United States Investor," May 19, 1900.

PAYMENTS.		
	Present Expenses	Reduced to
6 per cent int. on \$3,500,000 bonds . .	\$210,000	\$1,350,000
7 per cent div. on 4,500,000 pre. . .	315,000	526,000 <sup>1</sup>
10 per cent div. on 10,000,000 com. . .	1,000,000	1,876,000
	<hr/> \$1,525,000	<hr/> 1,525,000
		<hr/> \$351,000 <sup>2</sup>

*Common stock purely speculative.*—The stock of International Silver was originally offered around 50, so 20 per cent was promised on an investment in its common stock. Nearly every prospectus contains, expressed or implied, a similar assurance of common stock dividends. The common stock of the trusts was certainly a very attractive proposition to the speculative investor. Moreover, competent and authoritative opinion was not lacking to influence the wavering and uncertain investor. The underwriting privileges had been sold "all over the country." Financial houses and moneyed men everywhere had been let in for a share of the underwriting and had stock to sell. Besides this, there were a large number of manufacturers in all the industrial centres who wished to realize on their bonus or on their preferred stock. These institutions and individuals have a large following among this class of investors, and their opinions upon financial matters are held to be very weighty. The influence which can be exerted in favor of the new securities is something tremendous. There need be no direct solicitation. That would be undignified, and might make trouble between friends if anything went wrong. More than this, direct solicitation is unnecessary. As Bacon remarks in his essay on "Cunning," "it workes better when anything seemeth to be gotten from you by question than if you offer it of yourself." This advice to buy stock is almost always "gotten by question" and is disin-

<sup>1</sup> Earnings before consolidation.

<sup>2</sup> Surplus.

terestedly given. The news of the formation of the trusts is in everybody's mouth. Their prospectuses are in the newspapers. Imagination magnifies their really enormous extent and power, and the profits which they will realize. And their stock is now offered to the public at a low price. What more natural than to consult with one's financial adviser and what so conservative as his opinion. He advises no one to buy, or if he ventures so far it is always with the caution that "something may go wrong," that bit of caution which establishes him firmly as a safe adviser. He lets it be understood that he thinks well of the proposition; moreover, that he is personally interested in it, and he merely suggests that it is worth "investigating." In such matters he who investigates is lost. The advice is usually taken and the stock is sold. The underwriters and those who are interested in selling stock had only to let it be known that they considered the trust stock a "good thing" to gather in the wool of the whole country. A large amount of trust stock has been sold to this class of investors.

There is another class to whom stock can be sold. These are the margin speculators, the gamblers who bet on the turn of the stock market. By depositing a small per cent of the market value of any security with a broker he will borrow money and buy stock for them, loaning them the difference between their deposit and the value of the stock, and holding the stock in his vaults. His customers pay him interest on the money borrowed to buy the stock—a higher interest than he himself pays to the bank; and in addition one-eighth per cent commission on the par value of the shares purchased. The broker will buy or sell the stock as his customers may direct. By depositing \$100 and paying interest and commission, the speculator can become the nominal owner of twenty shares of stock which is selling around 50. Suppose the stock goes up ten points, he doubles his money, less the commission and interest. He may also purchase an option to

deliver stock in the future at the price now ruling. If the stock falls, he can buy in for delivery and make the difference. In the case of a purchaser for a rise, if the stock declines, he must deposit "more margin" with his broker. Failing to do this he loses the amount of his first deposit. If the stock continues to decline the weaker holders are gradually sold out and the securities pass into the hands of the stronger speculators, who are either carried by the brokers or who finally, growing weary of paying interest, buy the stock outright and hold it for an investment.

The attractiveness of this form of gambling is very great. It is so much like "business," so much apparently depends on the judgment of the buyer and comparatively so little on the turn of the wheel or the chance of the draw. Every class is represented among the margin speculators. Business men and professional men are found in the better offices; clerks, teachers, ministers, and a host of women, frequent the intermediate grades and the bucket shops. The promoter may reckon with this class, and it is to his interest to impress them with the favorable outlook for his enterprise in order to persuade them to buy for a rise. The outside buyer is almost always a bull. His demand is not an investment demand. The margin speculator does not want the stock and is apt to sell on a slight advance. He puts his money into margins in the belief that the stock will advance. The more seductive are the representations of the promoters, enforced as they are by the "tips" of the brokers, the larger will be the buying for an advance. As the stock goes up, the profits realized are turned back into new margins and the advance gathers strength as it proceeds. Indeed, it often happens that the value of a speculative stock may be carried high above its investment value as indicated by the earnings of the property. The buyer for investment is, however, the half seen goal of the outside buyer. The investment demand always looms ahead, and he deposits his margins in the belief that the market value

is still below the investment value. A stock whose value is highly uncertain, fluctuating within wide and irregular limits, affected by every breeze of rumor, such a stock as American Sugar common, for example, is also a favorite with the outsiders. It is so delightfully uncertain and there is always the chance that when it falls it will rise again. The trust stocks have all been of fluctuating value and so have been popular with the margin speculators. The inducement to engage in these operations is the same desire to get something for nothing or rather much for little, which animates the investor proper. Stories of successful operation are widely heralded and losses are generally kept secret. One incident of the last boom in the stock market was the story of a messenger boy who started in with \$50 and quit with \$23,000. Such stories, like the advertisements of the Louisiana Lottery, point the way to a desirable addition to a limited income. The psychology of gambling, however, is a study by itself and need no longer detain us.

Just in what way does this gambling furnish capital to the new enterprises?—Simply in this, their securities are wanted for gambling material by the brokers. They are the "chips" with which the public play the great game of speculation. The operation is something as follows: The surplus cash of the country is sent to New York City. This money can be recalled at any time and so the greater part of it is not available for time loans. It may, however, be loaned on call. The brokers borrow this money and buy speculative stocks with it. They also borrow large sums on time loans to carry their larger customers. So far as the promoter and underwriter is concerned it is the same thing as though the broker was a legitimate investor. Their only object is to make the enterprise as attractive as possible to the public, so that the demand for speculative material may be large. The brokers on their part use the stocks for collateral at the banks, together with other securities to support its wavering value, and make up the difference between the market price



and the value which the bank puts upon the stock as collateral—usually about ten points below its market value—by the margin which they require from their customers. Thus a large part of the surplus funds of the country are turned over to the founders of new enterprises through the channels of speculation. The money which they get for the stock is borrowed money, but that makes no difference to them—they do not borrow it. The larger the demand for their stocks from margin speculators, the larger is the amount of money which is borrowed by the brokers and turned over to them. The amount of this demand is very large. On September 7, 1899, the call loans of the national banks of New York City amounted to \$129,000,000.<sup>1</sup> Almost all of this was loaned to speculators and much of it on industrials. This money was turned over and over again and constantly replenished by new margins so that it might pass more than once in original exchange for industrial stocks. The amount of margin speculation is enormous. The total number of shares listed on the New York Exchange does not exceed 60,000,000,<sup>2</sup> and the total number sold in 1899 was 176,421,135. On the basis of these figures each stock was sold three times over. But this average does not give a true picture of the situation. Most of the railway stocks are held for investment and do not come into the market. On the other hand, the industrials, owing to their wide and erratic fluctuations, have been abnormally active. The weekly sales of American Sugar have frequently exceeded the entire issue of the stock. The demand for speculative material has been very active, and the trusts have furnished most of the supply.<sup>3</sup> For the week ending June 16, 1899,

<sup>1</sup> "Report of the Comptroller of the Currency," 1899, vol. 1, p. 422.

<sup>2</sup> This estimate is approximately correct for the shares whose prices for 1899 are given in the "Financial Review."

<sup>3</sup> Another cause of large profit to the stockholders in control of these enterprises is the large gains from pool manipulation and from inside information. American Sugar is worked up and down several times a year in this way, and the case of John W. Gates with his three and a half million dollar check is still fresh in mind.

for example, the sales of American Sugar common were 435,000 shares, although the entire issue was only 375,000. American Tobacco and Continental Tobacco, together with the steel stocks have also been great favorites with the speculators, because of their rapid and wide fluctuations. On the other hand, the railroads have been largely neglected of late years. They are popular during an advance, on the certainty of large earnings but their value is so well settled that they, with the exception of a few street railways like Metropolitan and Manhattan Elevated, offer but little inducement to margin buyers. Some few issues, such as Missouri Pacific and Union Pacific are still popular, but most of the railway stocks are now firmly settled upon an investment basis.

V. *The collapse of the common stock.*—The trust stock has now been put upon the market. Much of it has been sold to investors. The brokers have large holdings. The firm owners, the underwriters and the promoters have the cash. The next thing in order is the payment of dividends. Dividends on the preferred stock of the industrials have almost invariably been paid in full and without difficulty. The trusts have lived up to their contract with the preferred stockholders, that is to say, the preferred stockholders have lived up to the agreement between themselves. The common stock, however, presents a more interesting situation. This, it will be remembered, was to receive dividends from "the economies of combination." Let us examine the fortune of the common stockholder. Are his hopes to be realized or is the value of his stock to decline, until like the continental currency, it "falls gently asleep in the arms of its last possessor?" The following table shows the value of the common stock of sixteen of the recently formed combinations on June 23, 1900, together with their value at the time of admission to the exchange and three months after that date, and also the rate of dividend up to the close of 1899:

NAME.	Value Month of Admission to Exchange.	Highest Monthly Value, 1899.	Value July 13, 1900.	Rate of Dividend, 1899.
American Car and Foundry . . .	20 15-16	..	15 $\frac{1}{2}$	None.
American Ice . . . . .	40	..	35 $\frac{1}{2}$	At 4 p. c. <sup>1</sup>
American Malting . . . . .	27 $\frac{1}{2}$	32 $\frac{1}{2}$	3 $\frac{1}{2}$	None.
American Smelting and Refining . . .	54 $\frac{1}{2}$	..	37 1-16	None.
American Steel Hoop . . . . .	39 15-16	65	19	None.
American Steel and Wire (new) . . .	46 $\frac{1}{2}$	..	32 7-16	None.
American Tin Plate . . . . .	40 15-16	47 3-16	21 $\frac{1}{2}$	None.
Continental Tobacco . . . . .	53 $\frac{1}{2}$	..	25 $\frac{1}{2}$	None.
Federal Steel . . . . .	53 $\frac{1}{2}$	66 $\frac{1}{2}$	32 $\frac{1}{2}$	3 $\frac{1}{2}$ p. c. <sup>2</sup>
International Paper . . . . .	57 $\frac{1}{2}$	64 $\frac{1}{2}$	22 $\frac{1}{2}$	2 p. c.
International Silver . . . . .	32 $\frac{1}{2}$	..	4 $\frac{1}{2}$	None.
National Biscuit . . . . .	32 11-16	55 $\frac{1}{2}$	29 $\frac{1}{2}$	At 4 p. c.
National Steel . . . . .	52 $\frac{1}{2}$	55 $\frac{1}{2}$	23 $\frac{1}{2}$	None.
Rep. Iron and Steel . . . . .	25 13-16	29 9-16	12	None.
Union Bag and Paper . . . . .	40	..	13 $\frac{1}{2}$	None.
United States Flour Milling . . .	41 $\frac{1}{2}$	..	Extinct.	

These are the combinations which promised a good return on the common stock. Something has evidently gone wrong. Not only do the stocks bear a low value but their value has fallen from the early quotations, from 25 to 75 per cent, and this within two years from the time of listing. The case is even worse than is represented. Not a single one of the combinations organized since 1898 has paid a good return on its capital stock. Out of 78 combinations listed on the New York Exchange there are only two industrials whose common stock bears a price over 50. Most of the others are worth less than 40. Many of the common stock values are much lower than those given in the table. Here is Empire Steel, for which 3 is offered, United States Leather selling at 9, Natural Starch at 6, and Union Steel and Chain at 3. In the worst days of railroad speculation there was never such a large proportion of low-priced stocks and these values are made when the prices of commodities are high and when general business is very active. If the common stock suffers so much now, what will happen to it in times of stringency? "If in the land of peace, wherein thou trustedst,

they have wearied thee, how wilt thou do in the swelling of Jordan?"

The public has been much befooled. So much is evident. This, however, is nothing unusual. They and their ancestors before them have had the same experience with other propositions. The collapse of the common stock of the trusts is no new thing and might have been expected—in fact, was expected by conservative investment interests from the first. The United States Investor, for example, has insisted all along that the common stock of the new industrials was practically worthless. The speculative investors had plenty of warning, just as they have always had. It is the South Sea Company and the Louisiana Bubble over again; the same prospectus, the same promises, the same pointing to the eminence of the promoters and their high character and financial standing. The South Sea pamphlet which has already been quoted has a sentence or two with a strangely familiar ring: "Is it not the greatest absurdity to imagine that such a number as thirty (most of which, if not all, were before allowed to be men of Sense and Honor), should all, and everyone, on the sudden, concur in such a monstrous piece of villainy?" and the question is answered two centuries later by the Investor: "A more palpable fraud was never attempted. A lot of men, many of them persons of respectability, get together and conspire to unload hundreds and thousands of industrials on the public at several times their present or prospective value and in order to effect this end they make representations regarding the future earning power of the industries, the ridiculousness of which no one is in a better position to understand than themselves." The trust movement then, in its common stock feature, represents a gigantic swindle, the most stupendous and successful attempt at financial dissimulation that the world has ever seen. The current explanation is "over-capitalization" and the remedy offered is "publicity." A recent

writer on the subject has voiced the opinion of the Industrial Commission:

"The only just method of preventing the evils which are likely to come about through the capitalization of any establishment is to put clearly and fully before all investors, at the time of the organization, the plan of organization itself, the amounts actually allowed for all and each of the properties taken into the establishment, with as complete information as possible regarding these properties, so that a fair judgment can be made regarding their cost and earning capacity."<sup>1</sup>

General opinion has echoed the statement, the trust officials themselves have endorsed it—let us have publicity in such matters, it is argued, and all will be well. This explanation and the remedy suggested are not entirely applicable to the situation presented by the failure of the trusts to pay dividends on their common stock.

To begin with, so far as the preferred stock is concerned, the result has borne out the representations. Preferred dividends have been earned and paid as promised. The manufacturer who sold his plant for preferred stock has received full value for his money. So it is the common stock only that is to blame for the disturbance. But there was less secrecy about the common stock than is generally supposed. It is true that many plants were put in at excessive values, and that more stock was issued than necessity required, but this does not represent the principal explanation of overissue. It was claimed in the prospectuses that the earnings of the constituent companies before the consolidations were sufficient to pay dividends on the preferred, and there is no reason to doubt that these statements of fact were true. The plants no doubt did earn enough for a respectable dividend, and the preferred stock did, in most cases, represent the earning power of the companies before consolidation. Some juggling with figures there no doubt was, and an exaggeration of earnings was often the result, but it is difficult to believe that reputable accountants, such, for example, as

<sup>1</sup> Jenks, "The Trust Problem," p. 105.



Mr. Stephen Little, whose reputations depend upon their accuracy, would sell themselves to any wholesale tampering with figures. It is of course conceivable that the accountants made false statements sufficient to seriously injure the investor in trust stocks, but it is by no means probable. Nor were the conditions upon which the payment of common dividends depended, obscure or hard to understand. The common stock represented the capitalized value of the economies of combination and all agreed that they would be great. All the savings in management, shipping, buying and selling, besides the gain from the greater control over prices, were to go to the common stock. Where then was the secrecy? Indeed, by the same writers who so severely reprehend the "secrecy" of the trusts as being the cause of the inflated value at which their common stock has been sold, it is argued that the trust movement is a distinct advance in industrial organization and that its economies are very considerable. They admit then that economies do exist, and it is certainly reasonable on their own statements to explain a part of the inflated value of the common stock by reference to an exaggerated estimate on the part of the public of the value of these economies and not entirely to the hole and corner activity of the promoters. The promoters were making claims about the future and the truth or falsity of their claims only the future could reveal. How is it possible to make the future plain to the present? The only way to guard against such miscalculations would be to prosecute on a criminal charge any promoter whose predictions were not borne out by the event, and this would be to abolish the promoter entirely. If he is not to use his imagination his occupation will be gone. If the community desires men to take large risks and run long chances—the essential condition of rapid progress by the investment of capital in new and untried fields—then the periodical waste of the savings of the people in wildcat schemes follows as a matter of course. The conservative investor, who is able accurately to estimate the value of a

proposition, will not take chances, and the speculative investor, who is ignorant and susceptible, will, on his part, also decline to invest his money unless he is promised a rate of return which, by its very amount, shows the great risk which it involves. Without the promoter and his eloquent and persuasive representations, speculative investment would cease and industrial advances would only be made when the profit was certain beyond the peradventure of a doubt. We prefer the jack-rabbit style of progress, and we must accept its consequences.

The buyer of industrial common stock has been sacrificed on the altar of a new form of industrial organization. If a permanent advance has really been made the gain to society may outweigh the loss to individuals. It is certain, however, that the trusts could not have been financed within such a short time and in such large numbers without the common stock, and also that the common stock would not have been sold without the misrepresentations which were made concerning its ultimate value. If the movement had proceeded slowly, legitimate investment might have sustained it, and conservatism of statement might have prevailed. But in the United States we do not do things little by little. We do them all at once, and a reorganization of the greater number of manufacturing industries of the country within two years could not be accomplished without prodigious waste and stupendous lying. It is not publicity which will cure the evil of overcapitalization, if evil it be called, but a new ideal of industrial progress based upon investment instead of speculation, and the realization of such an ideal implies a reconstruction of human nature. Until imagination is destroyed, emotional susceptibility deadened, and clear judgment seated firmly on the throne of the common mind, we shall probably experience again and again these waves of speculative excitement, and the capital for new and risky enterprises will continue to be perennially drawn from the pockets of the eternally gullible.

*The losses of the underwriter.*—There is one feature of the situation, however, which should afford much amusement if not consolation to those who have suffered loss from purchasing industrial common stock, and that is the fact that the eminent and respectable underwriter who had planned to work off his large holdings on his credulous countrymen has for once overreached himself. He also has been caught in the toils. The trust movement was quickly overdone. Seven thousand millions of shares within two years was too great for the speculative appetite. It was impossible to find purchasers for the shares issued even had they offered a secure investment. This was not foreseen by the underwriters, who were even more eager to mulct the public than the public were to give them the opportunity. The underwriters were, therefore, compelled to buy shares for which they could find no market. The following extended quotation from the "Investor" so exactly describes the situation and the event has so fully verified its predictions that I venture to give it in full:

"We have tried on a number of occasions to show that the promoters and underwriters must inevitably meet with great loss. Very few persons, however, have yet begun to realize the extent of these losses. For this reason we are disposed to quote the following from some recent utterances of a well-known bear operator in New York. He may have an 'axe to grind' in talking thus, but that does not alter the facts. He says: 'Few people know how serious have been the losses to individuals and firms in and out of Wall street by too extended underwritings of the issues of new industrial combinations lately exploited. It is well known that with the exception of the first few issues the bulk of the flotations since have been failures, bringing with such failures widespread losses to underwriters and institutions. The stocks of the new combinations, or most of them, are absolutely unsalable, and, of course, valueless as collateral. The underwriter who has paid to the institution financing the new trust the amount of his underwriting commitment to it, is crippled by the amount so paid, for he receives securities in return which he cannot borrow on or sell except at a frightful loss. If he has failed to respond to the financial institution's call for his guarantee to it, then he makes that institution

carry his load, and that institution depends upon the public for its deposits. When one considers that in this city alone it is conservatively computed that these underwriting commitments amount to hundreds of millions of dollars, with underwritings for millions in Philadelphia, Boston, Baltimore and Chicago, the tremendous strain of the situation is revealed.' The above is the only rational view to take of the situation. The losses to the parties who have promoted and underwritten the industrial trusts that have been started since January, 1899, will turn out to be so great that it will be only by the exercise of the greatest skill on the part of those having in charge the financial interests of the country that the trouble does not become widespread, and include the innocent as well as the guilty. We shall be glad if the increasing prosperity of the country does not receive a tremendous setback from the losses which are bound to overtake the individuals who have endeavored to palm off on their countrymen several billions of dollars in bogus securities."<sup>1</sup>

The troubles of the Amalgamated Copper Company offer a concrete illustration of the general account and show the great difficulty experienced in carrying industrial shares. In this case the promoters had themselves taken the underwriting.

"This trust was formed of a number of companies, the Anaconda being the largest. Anaconda had been advanced to a very high figure at which it was turned into the Amalgamated; namely, to the Standard Oil crowd. About three-eighths of the stock, however, was held in England and was not at once turned in. The Amalgamated people now proposed to put their stock up to 150 or 200, but just at this time the English holders of Anaconda decided that they were satisfied to sell and began to unload their holdings at higher figures than they had thought possible a year before. Besides this they were naturally suspicious of the bold and energetic men at the head of the Amalgamated. The promoters of Amalgamated had to take and carry all this stock. If they had not done so there would have been a sharp break in the market and Amalgamated would have been pronounced a failure at the start. This was a heavy strain upon the promoters which was greatly increased when England began to sell copper for future delivery, believing that it had reached the highest price. The Amalgamated had to take all the copper offered. The task was most difficult, even for the Standard Oil interests with the

<sup>1</sup> "United States Investor," October 21, 1899.

support of their own banks and trust companies, and it was reported that they were forced to sell \$20,000,000 of gilt edged securities in the open market to obtain cash for margins."<sup>1</sup>

The condition of the industrial market during the fall of 1899 may be shown by another quotation from the "Investor."

"This has been another bad week for the coppers, and the market has presented an even more demoralized appearance than it did last week. There is scarcely any support, and the least pressure to sell causes prices to recede. A considerable amount of long stock has been unloaded by tired and disgusted holders, and the market has continued to sag until it has reached the lowest level seen this year. A feeling of uneasiness lest the price may break badly at any time, has evidently seized a good many stockholders in the coppers, and, frightened at the outlook, they have hastened to get out. It does not tend to increase their confidence, to see the prices of the shares in which the Standard Oil magnates are interested decline as pronouncedly as the others. They are beginning to realize that they have been misled, deceived, hoodwinked, that their credulity has been played upon."<sup>2</sup>

These "tired and disgusted holders" were mainly the speculators who were tired and disgusted with repeated calls for margins. Many of these have paid for the stock outright and now hold it for an investment. Others are still being carried by the brokers.

These quotations refer to the condition of the underwriters in October, 1899. It is not often that such pessimistic predictions have so speedy a fulfillment. The panic of December, 1899, was an "underwriters' panic" and is so remembered. It was brought on by the very cause which has been here indicated. The underwriters were loaded up with unsalable securities, and, when interest rates went up, they could no longer bear the strain. In order to save themselves they threw overboard large blocks of stock, both bad and good, the innocent indeed suffering in the heavy decline

<sup>1</sup> "United States Investor," September 2, 1899. (Abstract.)

<sup>2</sup> "United States Investor," October 28, 1899.



along with the guilty. The two most important failures, those of the Produce Exchange Company, of New York, and the Globe National Bank, of Boston, were directly due to loans made on trust stocks, the first mentioned mainly on United States Flour Milling, and the second on Copper. The stock market has not yet recovered from the effects of the underwriters' panic which frightened the speculator away from the game. In this effect it resembled a police raid upon a gambling house. Legitimate investment has also suffered from the overspeculation in industrials. Such a panic, however, may be expected after every period of inflation. It is one of the penalties of progress.

VI. *Preferred stock in its relations to common stock:* The common stock, it is safe to say, will in the great majority of cases, be almost obliterated. In this it differs from the stock of most speculative enterprises, some of which are always likely to succeed. Hardly any of the trust common stock, however, can be expected, for a long time to come, to pay large dividends, and it will be fortunate even to escape the expurgating process of reorganization. The reason is that large amounts of preferred stock have been placed before the common to soak up and absorb all the fortuitous gains which might possibly come to the junior security. The wording of one of the charters in regard to preferred stock will introduce a description of the method by which it is possible to altogether destroy the interest of the unlucky holder of common stock. The extract is taken from the charter of the American Steel and Wire Company of New Jersey, and is typical of similar provisions in other charters:

"The holders of preferred stock shall be entitled to receive in each year out of the surplus net profits of the corporation a fixed yearly dividend of seven per centum, payable quarterly before any dividend shall be set apart or paid to the common stock, but shall not be entitled to any further dividend or share of profits. The dividends upon the preferred stock shall be cumulative, so that if in any year divi-

<sup>1</sup> "United States Investor" October 28, 1899.

dends amounting to seven per cent per annum are not paid on the preferred stock, the deficiency is payable subsequently before any dividends are set apart or paid on the common stock. In case of liquidation or dissolution of the corporation, the holders of preferred stock will be entitled to be paid in full, both the principal of their shares and the accrued interest charge, before any amount is paid to the holders of common stock; but after the payment of any such liquidation or dissolution to the holders of the common stock of its par value, the remaining assets shall be divided equally among the holders of both classes of capital stock."<sup>1</sup>

Nearly every trust issues preferred stock, and out of one hundred and two issues during the first six months of 1899, all but sixteen had the cumulative feature. It is this cumulative feature which renders the case of the common stock holder altogether hopeless. Not only is the preferred stock holder insured a high rate of return before anything is paid on the common stock, but if, for any reason, his preferred dividends should not be earned, they accumulate to his credit and constitute a claim against the company, which must be paid when prosperity returns, before the common stock holder gets a penny of return. This amounts to saying that, after the first season of depression, the common stock holder will get nothing at all, for it is hardly reasonable to expect a seven per cent rate of net earnings from the majority of the trusts year in and year out. Some bad years must be experienced by every industry, and with but one issue of stock the losses of depression would be offset by the higher gains of prosperity. Not so, however, when common stock is yoked with cumulative preferred. Then there is no hope for the common stock holder. All extra earnings must be devoted to paying up overdue claims of the preferred. It is only necessary to refer to United States Leather with unpaid preferred dividends of 31 per cent, Tennessee Coal and Iron, 40 per cent, and Colorado Fuel and Iron, 28 per cent, to show the significance of this cumulative provision.

<sup>1</sup> "Commercial and Financial Chronicle," vol. 68, p. 377.

The issue of cumulative preferred stock is no longer recognized as good finance. Very few issues of railway preferred stock contain this provision. Not only this, but even preferred stock, which is non-cumulative in the great majority of cases, has only been issued in reorganizations, where it is substituted for bonds, being only one grade inferior to them but releasing the road from fixed charges. In original issues of railway stock it is very unusual to find the preferred feature. It was formerly employed in reorganizations, but it is so manifestly incompatible with the maintenance of any value in the common stock that it has been by general consent abandoned. Its recrudescence in the industrial charters was due to the haste and fury with which the movement toward consolidation was carried through. It was necessary for the promoter to take the manufacturers by storm, and to this end the cumulative feature was offered as an assurance that they would be perfectly secure in entering the trust. The common stockholder was to take all the risk. Publicity, it will be observed, will not improve this situation. Nothing is more public than Cumulative Preferred.

*Diversion of earnings from common stock.*—But there are other methods available to divert earnings from common stock to the benefit of preferred. Corporation dividends are payable only when, "in the judgment of the directors," they have been earned. If the directors happen to represent the preferred stock,—and this, be it noted, is the general situation, preferred stockholders, that is to say, the original owners of the constituent plants having generally retained or purchased enough common stock to give them a majority,—in such a situation, it is only necessary for the directors to decide that the interests of the company require a larger "working capital" or additional "capital expenditure," or a "larger surplus" to appropriate to the purpose of strengthening their own holdings all the gains of exceptional prosperity which would naturally go to the common. This is the

usual method where large dividends on the common have in some cases been earned. We should acquit the managers of any sinister designs on the common stock as stock. Their antagonism is only towards the holders thereof. If they were perfectly certain that the preferred dividends would be earned, and that something would always remain for the common, they would retain the common or buy it in after depressing its value. But there is no such assurance. The time of adversity threatens, when competition must be met and low prices endured. The preferred stockholders, therefore, set to work to strengthen their position, and to make their dividends more secure by diverting, to their own use, through a perfectly legal and public channel, the surplus earnings. Every dollar which they can put into permanent improvements, new machinery, stores of raw material, or the purchase of competition, is so much gained for the preferred stock. It adds greater strength to the company and insures a higher average of earnings. The methods of the International Paper Company illustrate this practice. This company was organized with twenty-five millions of preferred stock and twenty millions of common. It included seventeen plants which manufactured, according to its own statement, practically all the newspaper consumed east of Chicago. A dividend of one-fourth per cent on the common stock was declared in November, 1898, and all went well with the company until February 4, 1899, when it was announced that there had been acquired fourteen additional pulp and paper manufacturing concerns which had been competing with it. To acquire these concerns some cash had to be expended and additional securities were issued. Some \$60,000 or .3 of 1 per cent was paid on the common stock, which immediately fell from 65 in January to 40 in June. On August 5 President Chisholm, in response to an inquiry of an anxious holder of common stock as to the prospect of his ever getting anything from his investment, stated publicly that "the condition of the company is ex-

tremely satisfactory. Its profits are large and its future assured." This was extremely gratifying and International Paper went up  $3\frac{1}{2}$  points. But the hopes of the common stockholders were doomed to disappointment. At the annual meeting on September 2d the announcement was made that the company had made a large expenditure for improvements on new mills, etc., and was now engaged in building a factory with an output of 10,000,000 paper bags. During the year the company had established a number of agencies abroad and had had no difficulty in disposing of its entire output. The dividends amounted to \$1,786,206, of which \$1,500,000 went to the preferred stock, 6 per cent and \$286,000 or 1.4 per cent to the common stock. The statement was very satisfactory to everybody except the common stockholder. International Paper common immediately fell to 31 and by November, 1899, it was down to 25, and now stands at 19.<sup>1</sup>

Another method of converting earnings could be pursued by the managers which would involve the destruction of the company for their own benefit. This would be to incur a floating debt for working expenses, to pay dividends which had not been earned, and by thus raising the value unload the stock upon the unthinking investor, who would then pass through the ordeal of a reorganization for the benefit of the creditors. This was actually done in the case of the National Cordage, in 1893, and some of the recent difficulties of American Malting arouse suspicions of a similar attempt to wreck this company.<sup>2</sup> Financial opinion, however, which it is not wise in this day to brave, so strongly condemns this revival of the piratical methods of Fiske and Gould that actual wrecking will be rare. Some of the enterprises of

<sup>1</sup> "Commercial and Financial Chronicle," September 16, 1899. A director thus explained the passing of a common stock dividend: "We are realizing greater profits than ever before in our history, but we felt that the money earned could be better used for improvements and the like and hence our action."

<sup>2</sup> "Commercial and Financial Chronicle," March 10, 1900. The directors had incurred a floating debt of \$3,000,000, mainly for "working expenses."



Mr. Thomas MacIntyre, who fathered Brooklyn Wharf and Warehouse and United States Flour Milling, have, however, been open to the suspicion of wrecking methods. The following extract from the affidavit of Mrs. Ora M. Jewell, in her suit to compel the restoration of the shares of Hecker, Jones and Newell, which she had deposited with Mr. MacIntyre in exchange for an interest in the United States Flour Milling Company, reveals with some distinctness the opinion of an insider in regard to the methods of this promoter:

"Deponent is informed and believes that said MacIntyre interested himself in the plan for the purpose of abstracting from the company to be formed the promoter's proceeds, without regard to the original holders of the stocks and bonds and the new purchasers thereof. That said MacIntyre tried to induce various mills to go into the scheme according to the agreement of August 22, viz., the Washburn-Pillsbury and the Washburn-Crosby Mills, and failing to induce them to go into it, that he determined, nevertheless, to push through the scheme and not to lose his ill-gotten gains.

"That said MacIntyre was one of the parties behind the circular or prospectus of May 13, 1899. . . . That said prospectus contains misstatements, misrepresentations and evasions, and that said MacIntyre became the treasurer of the new company, and has finally succeeded in wrecking it so that it is now in the hands of a receiver admittedly insolvent, and that said MacIntyre is now seeking through a reorganization agreement to perpetuate his control and methods, and that finally, if the relief prayed for by this plaintiff be not granted, the reorganization agreement may become operative and the plaintiff's securities still further removed from her control."

Such cases as these—and the promoter was here apparently guilty of the grossest misrepresentation—are abnormal and do not afford a safe guide to the future policy of the trusts. It is all well enough to fleece the public, that is expected, but violation of financial ethics "between friends" is now generally condemned, and, as Mr. MacLeod discovered in 1893 when ousted from the receivership of the Reading Railway Company, is often visited with condign punishment.

*Future stability of the industrials*—The preferred stock of the trusts is reasonably certain to survive, although it will have been perpetuated at dreary cost to the unlucky holder of common. At the present time indeed preferred industrials bear a low value, much lower than the value of railway stocks. This is shown by the following table, which contrasts the value on July 13, 1900, of leading issues of preferred industrials whose dividends have been fully paid, with the value of railroad stocks whose return is as large in some cases, but whose security is absolute:

Industrials.	Rate of One Dividend, 1899.	Value.
American Car and Foundry . . . . .	7	64½
American Ice . . . . .	6	65
American Linseed Oil . . . . .	7	53½
American Smelting and Refining . . . . .	7	88 1-16
American Steel and Wire . . . . .	7	72 1-16
American Steel Hoop . . . . .	7	68½
American Tin Plate . . . . .	7	75
Continental Tobacco . . . . .	7	25½
Federal Steel . . . . .	6	65½
International Paper . . . . .	6	65
National Steel . . . . .	7	84½
National Tube . . . . .	7	90 1-16
Republic Iron and Steel . . . . .	7	54
United States Leather . . . . .	7	68½
United States Rubber . . . . .	8	90½
Railroads.	Rate of Dividend, 1899.	Value.
Chicago, Burlington & Quincy . . . . .	6	124¾
Chicago, Milwaukee & St. Paul (Pref.) . . . . .	7	170½
Chicago & Northwestern (Pref.) . . . . .	7	197
Chicago, Rock Island & Pacific . . . . .	5	106½
Great Northern (Pref.) . . . . .	7	152¾
Illinois Central . . . . .	5	117¾
Lake Shore & Michigan Southern . . . . .	7	210
Louisville & Nashville . . . . .	3½	73 3-16
Michigan Central . . . . .	—	106
New York Central . . . . .	4	130 1-16
New York, New Haven & Hartford . . . . .	8	212
Pennsylvania . . . . .	5	128

The railroad stocks are investment securities. Their high value is due to the fact that they are strongly held and eagerly sought for, while only a small amount comes into the market. The industrials, on the other hand, owing to the uncertainty which clouds their future, especially the fear of hostile legislation, are loosely held and sold in large amounts on every advance. This condition will probably soon pass away. There is no reason to expect any drastic legislation against the trusts. Just at this time people are stirred up against them, but the business interests of the United States are too deeply concerned in their maintenance, and their securities are too widely held, for this agitation ever seriously to threaten their existence. After all, the higher average price which great companies can exact, is a small burden compared with the greater stability and constancy which they introduce into industry, and the check which they impose upon speculative construction in the lines of industry which they dominate. It should not be forgotten that the panic of 1873 was due to the construction of railroads with borrowed money, and the panic of 1893 was caused, in large part, by speculative construction of manufacturing plants on the same basis. It will not be so easy in the future to borrow money to compete with \$100,000,000 of capital. As for the trusts themselves, just as the railroads have come to do, they will probably adopt the safe and conservative policy of making improvements out of net earnings and refusing, unless it plainly results in an increase of productive power, to incur debt when debt can be avoided.

It should not be forgotten, in this connection, that the trusts have no debts to speak of, and that they therefore start with a great advantage. The fact of their small indebtedness has already been set forth. The common stock buyer at heavy cost to himself, has performed a most valuable service for the community in that he has paid off the mortgages on most of the plants, and has placed them in a position

where, with ordinary caution, they are safe from bankruptcy. A man who is out of debt cannot become a bankrupt. This again inclines to the opinion that the trusts will powerfully contribute to insure the financial stability of American industry.

At present, it must be admitted, they contain a great deal of dead material,—antiquated machinery and worn-out plants, purchased perhaps at an excessive value. These will be weeded out, as they would have been, only more quickly, under the old system of competition. This done, there will remain a number of strong companies, which will exercise the same wholesome control over manufacturing industry that the railroads do over the business of transportation. Their securities will offer as safe investment as any now held by the savings banks. With increasing stability of value and the growth of a settled investment interest in their securities, greater frankness will characterize their reports. The railroads themselves have been a long time in learning that frankness is the wise policy, and the trusts may be expected, in the same way, to enlarge their annual reports, and to publish weekly and monthly statements of net earnings. So long as the stocks are wanted for speculation, however, secrecy of management will be the rule, and it would be unkind to the margin speculators to do them good "whether they will or not" by settling the value of the shares with which they wish to gamble, and so confiscating, as it were, the tools of the trade. It may indeed happen that competition will arise and that competitors may have to be bought or crushed out; but this necessity is only a slight cloud in the sky of promise.

One measure only is necessary before the conditions of stability can be secured. The common stock capitalization must be reduced. Its low value is a constant menace to the financial stability of the industrials. There is danger lest some enterprising financier may buy up enough stock to give him a majority in the board of directors. He might then proceed

to use up the surplus in paying dividends on the common stock; incur floating debt if necessary; run the stock up to a high value, and sell out, leaving the company to the creditors and the receiver. This was done repeatedly in the case of the stock of reorganized railroads before the voting trust was devised to secure the stock until the payment of dividends should so raise its value, that it could be released without danger to the property. The trusts are just now in the same condition. The low priced stock is a constant temptation to the wrecker, and the capitalization must be reduced or in some way protected. The voting trust has been suggested. The common stock of the Distilling Company of America has been placed in such control, "in order to solidify the different interests and to insure conservative management," but a safer plan will be to reduce the common stock. By no possibility can dividends be paid upon its present amount, and a voting trust is only warranted when the early payment of dividends may be expected. It is not intended by instituting a voting trust to hold the stock in perpetual duration. A movement has already begun in this direction of reducing the capitalization. The directors of the Distilling Company of America have recommended the cancellation of unissued common and preferred stock to the amount of \$20,000,000. American Smelting and Refining has reduced the preferred to a similar amount. American Steel and Wire has placed its common stock on a 7 per cent basis. It will probably not be difficult to arrange for these reductions. Common stockholders, many of them, have purchased on the decline and a reduction of 50 per cent in the holdings, provided that dividends were paid on what remained, would still give them a good return on the actual investment. Then with the removal of the cumulative feature from the preferred and the assurance of legal security to the companies, the industrials will be firmly placed upon an investment basis. By that time, however, colonial enterprises will be ready for sale, and the



speculative investor will once more be called upon to bear the burden of another industrial advance, by turning over his savings, without much prospect of return, to the same men who have repeatedly mishandled him in the past.

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## LAW AND PRACTICE OF THE UNITED STATES IN THE ACQUISITION AND GOVERNMENT OF DEPENDENT TERRITORY.

In the following paper I wish to consider two questions :  
(1) What is the basis in constitutional law for the acquisition and government of dependent territory by the United States? (2) Has the federal government, as a matter of practice, conformed to the law in these two respects?

1. *Law: (a) acquisition.* There is no clause in the constitution which directly refers to the acquisition of territory by the United States ; the right to acquire territory is neither expressly given nor expressly denied. It has generally been assumed, nevertheless, that the right exists because it is one of the rights inherent in a sovereign state, and the framers of the constitution, therefore, had they intended to deny the power to the government which they created, would have inserted in the constitution a specific statement to that effect. No one but Jefferson apparently, ever thought it necessary to resort to a constitutional amendment for the purpose of legalizing acquisitions of territory, and even he gave up the idea after vainly urging its necessity, during the summer of 1803. The theory which the leaders of Jefferson's party put forward to justify the acquisition of Louisiana was that the constitution, though it did not *directly* give the right to acquire new territory, did so *indirectly*, through the treaty making power and the war power. Twenty-five years later the supreme court, speaking through Justice Marshall, took exactly the same view, in the case of the American Insurance Co. *v.* Canter.<sup>1</sup> "The constitution confers absolutely on the government of the Union the powers of making war and of making treaties ;

<sup>1</sup> 1 Pet. 542.

consequently that government possesses the power of acquiring territory either by conquest or by treaty." This decision has never been reversed. A modification of it was attempted in the case of Dred Scott, but as that portion of the opinion is generally agreed to have been an *obiter dictum*, it will be better to omit the case of Dred Scott from further consideration, spite of the fact that it contains the most exhaustive discussion of the whole subject of the acquisition and government of territory to be found in the entire range of judicial decisions.<sup>1</sup> On the other hand the decision of Justice Marshall has been repeatedly confirmed by decisions before and since the time of Dred Scott. It may be confidently asserted therefore, with little fear of contradiction, that the law of the acquisition of territory by the United States is this: The federal government may acquire territory by treaty or by conquest.

(b) *Government.* The question of the right to govern dependent territory does not arise, because this right is granted to the federal government, in terms, by the constitution.<sup>2</sup> "Congress shall have power to dispose of and make all needful rules and regulations respecting the territory or other property belonging to the United States." The question here is not may Congress govern the territories, but *how* may it govern them.

This on the face of it would seem, perhaps, an easy question to decide. The grant of power to Congress seems to be plenary. Shall we not answer, therefore, that Congress may govern the territory which has been acquired, in any manner it desires, absolutely and without limit? But the question is not so simple. There are in the constitution certain specified things which Congress is not permitted to do: Congress may not pass an *ex post facto* law, or a bill of attainder, or authorize the trial of a person accused of crime, except by a jury. There are many other things which Con-

<sup>1</sup> 19 How. 393.

<sup>2</sup> Constitution, IV, 3.

gress is in terms forbidden to do. Taken together, these prohibitions constitute the realm of liberty, within which the sovereign power of the state, speaking through the constitution, frees the individual from all interference by the federal government. Now, the core of the question at issue is this: Does this realm of liberty exist for the individual within the states and territories, or only within the states? Does the constitution follow Congress into the territories, or when Congress steps into the territories, does it divest itself of all restraint upon its power to legislate? Is there any part of our political system in which the constitution is not the law of the land? The constitution itself says, and no one denies, that it was ordained and established for the United States of America. At bottom, therefore, the question we have to decide here is, what is the legal (not the historical or the logical) meaning of the term United States. If it means merely the states united, Congress may legally pass bills of attainder and *ex post facto* laws for the territories; if it means the states united and all other territory over which the federal government exercises jurisdiction, Congress may not legally do these things or any of those things which it is specifically forbidden to do by the constitution.

The term United States is not defined in the constitution. It is sometimes used in the sense of the states united,<sup>1</sup> and sometimes in the broader sense,<sup>2</sup> but from the constitution itself no decisive answer can be obtained to the question, what does the term United States mean. The only recourse, therefore, is to the supreme court; the interpretation which it puts upon the term must be decisive of its legal meaning. The leading case is that of *Loughborough and Blake*,<sup>3</sup> decided in 1820. "The term United States," said Justice Marshall, "is the name given to our great republic which

<sup>1</sup> See article in *Review of Reviews* for January, 1899. H. P. Judson.

<sup>2</sup> See Dependencies and Protectorates, *Political Science Quarterly*, March, 1899.

<sup>3</sup> 5 Wheat. 317.

is composed of states and territories. The District of Columbia or the territory west of the Missouri, is not less within the United States than Maryland or Pennsylvania." Omitting from consideration the case of Dred Scott for reasons already mentioned, it will be sufficient to refer to the case of *Cross v. Harrison*, in which this definition of the term United States was repeated specifically,<sup>1</sup> and to *Clarke v. Brazadone*,<sup>2</sup> *Clinton v. Englebrecht*,<sup>3</sup> and *ex parte Bollman*,<sup>4</sup> in which this definition of the term United States is clearly assumed as the basis of the decision in each case. In view of these decisions it is believed that the term United States has only one meaning in our constitutional law, and that is this: all of the territory under the jurisdiction of the federal government.

If the United States includes all dependent territory, and if the constitution was made for the United States, it is clear that Congress in governing the territories is limited by all of the constitutional immunities which are absolute as against the federal government. But although this is the logical inference from the proposition that the United States includes the territories as well as the states, the courts, in deciding the direct question of the power of Congress in the territories, may not always have drawn this inference. The question now is, therefore, has the court, in its decision of the specific question of the power of Congress in the territories, been consistent with its interpretation of the term United States. It may be stated at once that, with possible exceptions of minor importance, the court *has* taken the view which its interpretation of the term United States would seem to make necessary. It has always maintained that the constitution extends to the territories *ex proprio vigore*, and that Congress is, therefore, not absolute there, but that it has plenary legislative powers modified by the positive and

<sup>1</sup> 16 How. 164.

<sup>2</sup> 1 Cranch, 212.

<sup>3</sup> 13 Wall. 434.

<sup>4</sup> 4 Cranch, 75.



absolute limitations of the constitution. But the court has been chary of deciding the direct question. It has rarely been necessary indeed, because the constitution has invariably been extended to the territories by specific legislation, and in correcting territorial legislation on constitutional grounds, there has consequently been no necessity of touching upon the question as to whether it extends there of its own force. Obviously the latter question can come before the court only when some direct legislative act of Congress is in review. Fortunately such has been the case in a few instances.

One of the earliest and clearest statements of the power of Congress in the territories was made by Marshall in connection with his definition of the term United States:<sup>1</sup> "The District of Columbia or the territory west of the Missouri is not less within the United States than Maryland or Pennsylvania, and it is not less necessary on the principles of our constitution, that uniformity in the impositions of imposts, duties, and excises should be observed in the one than in the other." In the case of *Cross and Harrison*,<sup>2</sup> after interpreting the term United States to include the territories, it was stated that, "the right claimed to land foreign goods within the United States at any point outside of a collection district, *if allowed*, would be a violation of that provision in the constitution which enjoins that all duties, imposts and excises shall be uniform within the United States." But the fullest and most explicit statement of the power of Congress in the territories, is to be found in the case of *Murphy v. Ramsey*, decided in 1884.<sup>3</sup> The question at issue was the law of Congress which made polygamy a crime and deprived of the suffrage those citizens of the territories who were guilty of it. In considering the power of Congress to pass such a law for the territories the court said: "The

<sup>1</sup> *Loughborough v. Blake*. 5 Wheat. 317.

<sup>2</sup> 16 How. 164.

<sup>3</sup> 114 U. S.

people of the United States, as sovereign owners of the national territories, have supreme power over them and their inhabitants. In the exercise of this sovereign dominion they are represented by the Government of the United States, to whom all the powers of government over that subject have been delegated, subject only to such restrictions as are expressed in the constitution, or are necessarily implied in its terms or in the purposes and objects of the power itself. . . . But in ordaining government for the territories, . . . all the discretion which belongs to legislative power is vested in Congress; and that extends, beyond all controversy, to determining by law, from time to time, the form of the local government in a particular territory and the qualifications of those who shall administer it. It rests with Congress to say whether, in a given case, any of the people resident in a territory, shall participate in the election of its officers or the making of its laws; and it may therefore take from them any right of suffrage it may have previously conferred. . . . The right of local self-government, as known to our system . . . belongs, under the constitution, to the states and the people thereof, by whom that constitution was ordained. . . . The personal and civil rights of the inhabitants of the territories are secured to them, as to other citizens, by the principles of constitutional liberty which restrain all the agencies of government, state and national; their political rights are franchises which they hold as privileges in the legislative discretion of the Congress of the United States." No clearer statement has been made in any case, and a different view has never been held, by the supreme court; on the other hand, the principle here laid down was foreshadowed in the earlier cases of the *National Bank v. Yankton County*,<sup>1</sup> and *Reynolds v. the United States*.<sup>2</sup>

Though clear in the belief that the constitution extends of

<sup>1</sup> 101 U. S.

<sup>2</sup> 98 U. S.

its own force to the territories, the courts have never clearly decided the precise moment at which the constitution begins to operate in newly acquired territory. In *Fleming v. Page*<sup>1</sup> the court took the position that conquered territory does not become a part of the United States until Congress establishes civil government there, and is not subject to the revenue laws of the United States until it has been erected into a collection district. It was asserted that this construction of the revenue laws had been uniformly given by the administrative department of the government. This view, however, seems in conflict with the idea that the constitution extends of its own force to the territories, for such a construction would practically mean that the constitution does not extend to the territories until Congress extends it there by legislation with reference to the collection of the revenue. It is also in conflict with a later decision in the case of *Cross v. Harrison*,<sup>2</sup> in which California was decided to have been a part of the United States from the moment the treaty of annexation was signed; and the collector, appointed under military government, was supported in collecting the duties of the act of 1846 as soon as he had news of the treaty, which was some time before civil government was established or the territory erected into a collection district.

In view of these decisions, the constitutional law of the United States, for the government of dependent territory, may be stated as follows: The term United States, includes states and territories. The constitution was made for the whole United States and extends of its own force over all newly acquired territory, at least as soon as civil government is established there; the constitution gives Congress plenary power of legislation in the territories, subject to the absolute limitations upon its power expressed in the constitution.

2. *Practice: (a) acquisition.* The practice of the United

<sup>1</sup> 4 How. 603.

<sup>2</sup> 16 How. 164.

States in acquiring territory may be briefly stated. Aside from the northwest and southwest territory, which was virtually a part of the United States when the present constitution was formed, Louisiana, Florida, Oregon, the Gadsden purchase, and Alaska, were acquired by treaty; California and the north Mexican states, by conquest in the guise of a treaty; Texas and Hawaii, by joint resolution of Congress, after an attempt to secure them by treaty had failed. The practice of the United States in acquiring territory has therefore conformed to the constitutional law on the subject in every case, save possibly that of Texas and Hawaii; for the method by which these territories were acquired, it is believed, there is no basis, strictly speaking, in the constitutional law of the United States.

(b) *Government.* The question now to be discussed is this: Has Congress, in practice, governed the territories within the limitations which the court decisions lay down as necessarily binding? First, however, it will be well to keep in mind the distinction, which the court drew so clearly in the case of *Murphy v. Ramsey*, between civil rights and political privileges in the territories. That undemocratic governments have been established in the territories does not mean that the privileges guaranteed in the constitution have been denied them. The undemocratic form of first grade territories established by the northwest ordinance, has been frequently referred to by various writers as proving the absolutism of Congress in the territories. This is certainly a misconception. Even those who contend that the constitution extends of its own force to the territories do not maintain that this guarantees the establishment of republican government there. The privileges which individuals enjoy as against the federal government are not political (with one exception, since the civil war); they are in the nature of personal immunities and property rights. It is not contended that the rule for interpreting the powers of Congress in the territories is the same as that for interpreting its powers in

the states. In the latter case the rule is that all powers not specifically granted to Congress or denied to the states are reserved to the states or to the people ; but in the territories Congress has been given general legislative power, and the rule for interpreting its powers (assuming that the constitution extends to the territories of its own force) is, that all powers not specifically denied to Congress are reserved to Congress. The only constitutional rights which the territories possess absolutely are defined in the absolute limitations upon the power of Congress. The right to establish undemocratic governments is not denied to Congress. The question, therefore, is not, has Congress denied to the inhabitants of the territories political privileges, but has it denied them the personal liberties and the property rights guaranteed to every individual against the federal government.

In treating this question it will be convenient to notice (1) the theory of its own power in the territories upon which Congress has acted, and (2) whether Congress has actually denied to the territories rights which, according to judicial interpretation, are secured by the constitution.

It may be stated confidently that the theory upon which Congress has generally, if not invariably, acted is the exact opposite of that which the supreme court has always maintained. Both have believed that the constitution was made for the United States; but the court has defined the United States to mean the states and territories, while Congress has defined the United States to mean the states alone. The former has concluded, therefore, that Congress does not rid itself of constitutional limitations when it steps into the territories; the latter has concluded that it does.

That this has been the theory upon which Congress has acted is clear from the fact that whenever new territory has been acquired, and civil governments established, the constitution and laws of the United States have been extended to it by specific legislative action. The revenue laws of the United States were extended to the northwest territory in



1794, to the territory acquired from France in 1804, to Florida in 1821, to Oregon in 1848, to California in 1849, and to Alaska in 1868. Practically every territorial act contains the provision that no law shall be passed by the local government which is contrary to the constitution, and in many instances more or less careful enumerations of personal and property rights are included in these acts as being reserved to the inhabitants, although the same rights are enumerated more fully in the constitution itself. Specific legislation by Congress extending the constitution to the territories, and granting them rights already named in the constitution, clearly shows that Congress believed these rights might have been denied, and that the constitution does not extend to the territories of its own force. The Louisiana debate, and the debate on the admission of Missouri, show this to have been the all but unanimous opinion; it was not until the growing strength of the North in Congress forced the southern Democrats to reconstruct their constitutional law that the opposite view, reflected in the Dred Scott decision, began to prevail; but this influence was only reactionary, and, from the point of view of territorial administration, never produced anything more effective than the non-descript theory of popular sovereignty.

But Congress may have acted upon the theory that the personal and property rights guaranteed in the constitution might legally be denied to the territories without, as a matter of fact, denying them. The question now under consideration is, what has Congress done in the territories which it might not have done had it held the same theory which the supreme court has held? In considering this question it will be convenient to notice: (1) the powers given by Congress to its agents, the local territorial governments; (2) the direct administrative legislation of Congress.

The first territorial government was created by the north-west ordinance of 1787.<sup>1</sup> It contained a compact securing

<sup>1</sup> Poore, "Charters and Constitutions," 429.

for the northwest territory personal and property rights nearly coextensive with those secured later in the present constitution. It also contained a clause forbidding the territorial government to do anything inconsistent with the articles of confederation or any subsequent alteration of them constitutionally made. It was clearly intended, therefore, that the articles of confederation should operate in the northwest territory so far as the local government was concerned. Now one of the early acts of the first Congress under the new government, in 1789, was an act adapting the northwest ordinance to the new constitution. Such alterations as were thought necessary or desirable to put the ordinance in the same relation to the constitution that it had sustained to the articles of confederation, were made. The provision just noticed was left unchanged, and it seems reasonable to assume that it was the intention to subject the territorial government to the constitution in precisely the same way it had been subjected to the articles of confederation. In view of this provision and the articles of compact, therefore, it cannot be said that the government established by the northwest ordinance denied at least any important right guaranteed by the constitution against the federal government. With slight modifications the ordinance was re-enacted for the territories of Indiana,<sup>1</sup> Illinois<sup>2</sup>, and Michigan;<sup>3</sup> with the exception of the slavery clause, for the original southwest territory;<sup>4</sup> for Mississippi<sup>5</sup> and Alabama;<sup>6</sup> and although an entirely new act was passed for the territory of Wisconsin in 1836,<sup>7</sup> it also contained a clause giving to the inhabitants all of the rights enumerated in the northwest ordinance, and extending the laws of the United States to the territory so far as applicable.

<sup>1</sup> Poore, "Charters and Constitutions," 1453.

<sup>2</sup> *Ibid.*, 435.

<sup>3</sup> *Annals of Congress*, 1804-05, p. 1639.

<sup>4</sup> *Ibid.*, 1789-91, p. 2226.

<sup>5</sup> *Ibid.*, Fifth Congress, iii, p. 3719.

<sup>6</sup> *Ibid.*, Fourteenth Congress, Second Session, 1310.

<sup>7</sup> Poore, "Charters and Constitutions," 2021.

The first act providing in any way for a government of the Louisiana territory was passed October 30, 1803.<sup>1</sup> It was not entitled an act for the government of Louisiana, but an act authorizing the President to *take possession* of Louisiana. It was merely temporary in its nature, and designed for the purpose of preserving order until Congress could provide a permanent civil government. It gave absolute freedom of action to the President, and authorized him to use the entire military power of the United States to maintain order. An essentially similar act was passed for Florida, March 3, 1821.<sup>2</sup> These acts have been referred to as evidencing a congressional policy of the extremest absolutism in the territories. But, strictly speaking, they should not be considered as a part of the congressional administration of the territories at all; they are in reality acts by which military government was established in ceded territory. At present the President might establish such temporary governmental authority with or without the authorization of Congress; but that means that the military powers of the President in our constitutional system were then much less clearly worked out than they have since become. For these reasons, therefore, it is believed that a review of the civil administration of the territories by Congress may justifiably omit these two acts from consideration; they represent the means then used to establish military government in ceded territory.

Civil government was first established in Louisiana in 1804.<sup>3</sup> The new acquisition was divided into the territory of Orleans and the district of Louisiana, the former comprising practically the present State of Louisiana, and the latter everything else. The government established in both regions was undemocratic, but neither was permitted to pass any law inconsistent with the constitution of the United States. The next year a new governmental act was passed

<sup>1</sup> Annals of Congress, Eighth Congress, First Session, 1245

<sup>2</sup> *Ibid.*, Sixteenth Congress, Second Session, 1809.

<sup>3</sup> *Ibid.*, Eighth Congress, First Session, 1293.

for the territory of Orleans,<sup>1</sup> and one which erected the district of Louisiana into the territory of Louisiana;<sup>2</sup> in both of them the same prohibition was placed upon the power of the local government. In 1812 the territory of Louisiana became the territory of Missouri under a new act,<sup>3</sup> which, besides the same prohibition, contained a rather elaborate enumeration of rights secured to the inhabitants. This territory, like the original northwest territory, was gradually divided into a number of territories as the vast region became more thickly settled; and in all of the subsequent territorial acts within the original Louisiana territory, the same clause was introduced forbidding any law inconsistent with the constitution of the United States. Civil government was first established in Florida in March, 1822.<sup>4</sup> It was based upon the Orleans act of 1804, but also contained an enumeration of civil rights similar to that in the Missouri act of 1812. It also contained the provision that all legislation must be consistent with the constitution of the United States. The Oregon act of 1848,<sup>5</sup> and the act for the territory of New Mexico of 1850,<sup>6</sup> contained similar provisions, as did the later acts by which the original Oregon and New Mexican territories were divided. California never had, strictly speaking, a territorial existence; and Alaska, organized under the act of 1884, does not possess a local legislature.<sup>7</sup>

From the above review of the powers of the local governments in the territories, it is clear that Congress has in every case limited these governments by all of the provisions of the constitution; the agents of Congress in the territories have not been permitted to disregard any constitutional limitation. Outside of the local governments, however, Congress has the right, which it has constantly exercised, of legisla-

<sup>1</sup> *Annals of Congress*, Second Session, 1674.

<sup>2</sup> *Ibid.*, 1684.

<sup>3</sup> *Ibid.*, Twelfth Congress, 2310.

<sup>4</sup> *Ibid.*, Seventeenth Congress, First Session, 2578.

<sup>5</sup> Poore, "Charters and Constitutions," 1491.

<sup>6</sup> *Statutes at Large*, ix, 446.

<sup>7</sup> *Ibid.*, xv, 240.

ting directly for the territories; and this direct legislation has no necessary connection with, and in case of conflict always supersedes, the territorial acts or constitutions. It is now necessary to consider some aspects of this direct administrative legislation.

For the purposes of the present paper, only those subjects of legislation are pertinent which refer to the positive prohibitions in the constitution upon the power of Congress. These subjects may all be grouped under two general heads: (1) personal liberties; (2) property rights. Has Congress denied these rights to the territories, as a matter of fact, notwithstanding it has held the theory that it might legally do so? Those constitutional provisions which I have grouped under personal liberties are of such a nature that legislation with respect to them has necessarily been left for the most part to the local legislatures; direct legislation by Congress has been very rare. Questions of general search warrant, excessive bail, fines, and punishments, unreasonable delay in trial, the form of indictment and trial, freedom of speech and of assembly, have never arisen in the territories in such a way as to call for direct legislation by Congress; nor, it is believed, has any bill of attainder or *ex post facto* law been passed by Congress for the territories, nor the privilege of the writ of *habeas corpus* suspended there within the meaning of the constitution as interpreted by the courts. Only one of the personal liberties has been the subject of direct legislation by Congress—that relating to religious freedom. Polygamy is claimed to be an integral part of the Mormon religion, but Congress has passed several laws making polygamy a crime in the territories, and visiting with severe penalties those found guilty of practicing it. But the court, while it stated that Congress might not violate the first amendment in the territories, held that marriage was a civil relation and not an attribute of religion in the meaning of the constitution, and that, consequently, the power of Congress over polygamy was coextensive with its power to define and



punish crime. The definition of crime, like that of property, is, outside of the states, determined by Congress, and the constitutional limitations referring to religion and to crime do not, therefore, in any way abridge the power of Congress to make polygamy a crime in the territories, and punish it accordingly. It is not believed that Congress has by any direct legislation denied to the inhabitants of the territories any of the personal liberties guaranteed in the constitution.

The property rights guaranteed in the constitution lend themselves more readily to direct congressional legislation than do the personal liberties. What is property? Property, in our political system, is determined by the common law, modified by legislation: within the states the modification can be made only by the state legislatures; outside of the states, only by Congress. Property in the territories, therefore, is anything (with one exception) which Congress makes property. The constitutional limitations upon Congress with respect to property are, that no one may be deprived of property without due process of law, nor shall private property be taken for public purposes without just compensation, nor duties, imposts and excises be levied, except they be uniform throughout the United States. Has Congress violated any of these provisions in the territories? The only important direct legislation by Congress, touching the subject, has been with reference to the revenue and slavery.

Until 1854 Congress pursued a consistent policy with reference to slavery in the territories. It always permitted it in the southern, and prohibited it in the northern territories; east of the Mississippi the line of division was the Ohio River, west of the Mississippi, the arbitrary line of  $36^{\circ} 30'$ . If slaves were property, the right of individuals in the territories in such property was abridged without due process of law. But the acts of Congress prohibiting slavery in the northern territories, may be interpreted as acts by which Congress defined property there anew, in so far as to exclude human beings: they may be considered as acts *about* a cer-

tain kind of property, or as acts which removed certain things from the category of property entirely. Practically they had the latter effect, and, looked at in this light, the constitutional limitations with respect to property rights can have no reference to this legislation at all.

As already indicated the all but uniform policy of Congress has been to make the revenue laws uniform for states and territories. The first tariff and internal revenue duties levied under the present constitution, were not levied or collected in the northwest and southwest territories until 1794. The reason was probably the practical one, that the revenue which might have been collected there, would scarcely more than have paid the cost of its collection. But by the act of June 5, 1794,<sup>1</sup> the President was authorized to provide for the collection of the internal revenue duties in the territories, by the erection of districts and the appointment of collectors. This was done; and one year later the attorney-general held that the act had the effect of extending all of the revenue laws, present and future, so far as applicable, to the territories. Technically, he said, all revenue laws had extended there from the first, but until collectors were appointed they could not be enforced there; officers once appointed, they became the legitimate agents for the collection of duties arising under all future acts of a general nature.<sup>2</sup> These suggestions were followed by the treasury department from that date. In like manner, on February 24, 1804, Congress, by a special act, extended the revenue laws of the United States, present and future, to the territory ceded by France, and prohibited any discrimination between the territory and other parts of the United States.<sup>3</sup> The revenue laws of the United States were similarly extended to Florida even before a civil government was established there.<sup>4</sup> The same policy

<sup>1</sup> Annals of Congress, 1793-95, p. 1457.

<sup>2</sup> Bradford's reply to St. Clair, June 19, 1795. St. Clair Papers, II, 377.

<sup>3</sup> Annals of Congress, Eighth Congress, First Session, 1253.

<sup>4</sup> *Ibid.*, Sixteenth Congress, Second Session, p. 1809.

was pursued with reference to Oregon<sup>1</sup> (which, as organized under the act of 1848, included all of the territory west of the Louisiana purchase and north of the Mexican acquisition), with reference to California,<sup>2</sup> and also with reference to New Mexico which originally embraced what remained of the Mexican acquisition.<sup>3</sup> It is thus seen to have been the almost uniform policy of Congress to subject the territories to precisely the same imposts, duties, and excises, as the other parts of the United States. The only exception occurred in the earliest years of the republic; and it is well to note that in this one case the lack of uniformity had the effect, so far as it had any effect at all, not of denying any right to the inhabitants of the territories, but of granting them a privilege. In no case it is believed has any one of the territories been taxed at a different rate than the rest of the Union.

In summing up the subject it may be said concisely: (1) Congress may acquire territory by treaty or conquest, and has so acquired it in every instance save that of Texas and Hawaii; (2) Congress has all legislative power in the territories which is not specifically denied to it by the constitution, and, though always assuming that it was not limited by the constitution in any respect in the territories, has not, as a matter of practice, directly or indirectly overstepped those limitations.

CARL BECKER.

*State College, Pa., June, 1900.*

<sup>1</sup> Poore, "Charters and Constitutions," 1489, 1491.

<sup>2</sup> Statutes at Large, ix, 400.

<sup>3</sup> *Ibid.*, ix, 446.

## DRUNKENNESS AND THE WEATHER.

In this paper I have attempted to demonstrate, by empirical methods, certain fixed relations between definite weather conditions and the prevalence of drunkenness in the city of New York. In other words, the influence of the weather as a factor in the cosmical environment upon the prevalence of intoxication. The popular belief that conduct is to an extent influenced by sky, wind and the barometrical conditions is as old as the recorded history of human activities. The literary curiosities of "weather wisdom" are built upon it. Fiction has made full use of it, and there is hardly a modern school teacher who does not attribute certain epidemics of misconduct on the part of her charges, to weather conditions. Although such a belief has been widespread and of long standing, it has contained all the vagaries and contradictions of most popular fancies. Human beings differ so widely, that in weather influences it has been recognized that "what is one man's poison is another man's food," and that some have seemingly been entirely immune to their toxics. In order that a more definite knowledge of these influences might be had, I have undertaken a series of empirical studies in the psychology of the mass, one of which this paper comprises. Others have touched upon the effects of the weather upon the deportment of the pupils in the public schools, of the insane and of the inmates of the New York city penitentiary; upon the prevalence of the crime of assault and battery and of suicide, and upon the death-rate.

All of these crimes and misdemeanors were shown to be

<sup>1</sup> See "Conduct and the Weather;" Monograph Supplement, No. 10; "The Psychological Review;" "The Pedagogical Seminary," April, 1898; "The Scientific American Supplement," June 3, 1899; "Science," August 11, 1899; "Appleton's Popular Science Monthly," September, 1899; "Educational Review," February, 1900; "Nature," February 11, 1900, and "Suicide and the Weather," in an early number of "Popular Science Monthly."

influenced, to a marked extent, by the prevailing meteorological conditions. Seemingly we could almost predict from a look at the sky, the barometer and the thermometer, what the tranquillity of the school room or prison ward would be, or the freedom of the street from brawls and the business of the undertaker.

It is my intention in this paper to discuss only the seeming effect of the weather upon the prevalence of drunkenness, all the other classes of data mentioned above having been treated in articles alluded to in the foot-note.

✓At first thought there would seem to be very little connection between the prevalence of intoxication and the weather. Most of us can probably not recall a time when it has driven us to drink. Yet the influence of different weather states upon conduct has been proven so great by the other studies alluded to as to warrant some little expectation of positive results, even at the outset of this. With a great many people the occasional debauch is not a matter of mere caprice. It is not even by them a thing to be desired. The pleasures connected with it in no way compensate for the attendant hardships and miseries, both of body and mind. They struggle against it with an intensity unknown to those whose bodies have not been weakened by indulgence, and when the fight is finally lost it is because the allurements of the glass are stronger at the moment than at any previous time during the struggle, or the ability to withstand them less. The weather could not, with any degree of probability, influence the former. It is not beyond the bounds of reason to suppose that it might the latter, through affecting the vitality of the body together with its accompanying mental states, and it is for the purpose of throwing light upon this possibility, with its important bearing upon the drink problem, that the present study was undertaken.

Its exact method is as follows: From the records of the New York city police were copied the number of arrests for drunkenness within the city limits (present borough of Man-



hattan), for each day of the three years 1893-94-95: 63,117 in all. Of this number 44,495 were of males—for the sexes were tabulated separately—and are the only ones here considered. At the New York station of the United States weather bureau were then copied the mean temperature, barometer and humidity, the total movement of the wind, the character of the day, and the precipitation for each of the 1,095 days of those three years. Next, by a somewhat laborious process of tabulation, the exact number of arrests for drunkenness for days falling under each one of the fifty or more definite meteorological conditions shown by the accompanying illustrations, was ascertained. This being done, the average number of such arrests for days falling under each one of those conditions was compared with the normal daily number for the three years, and the excess or deficiency for each meteorological condition graphically shown by the illustration.

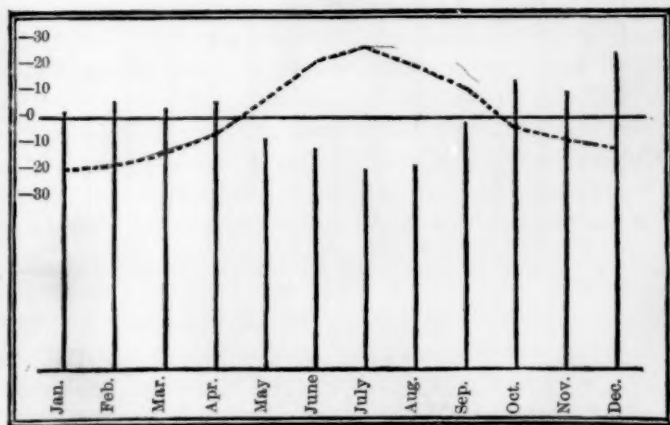
For example: for the three years there were 75 days having a mean temperature somewhere between  $50^{\circ}$  and  $55^{\circ}$  (Fahr.). On those same days there were recorded 3,484 arrests for drunkenness, or an average of 46. But the daily average for the three years was only 40.7, showing that drunkenness was excessive for those conditions of temperature. The exact percentage of excess, as shown by the relation between the two numbers, is 15, and is indicated in the proper place upon Fig. 2. This is the plan carried out in the determination of excess or deficiency for every one of the meteorological conditions considered. On each of the figures, the distance from the bottom to the horizontal line represents the normal, the distance from this line to the top of each of the ordinates, the excess or deficiency, which may be read in percentages by means of the scale at the left. The first figure shows the occurrence of drunkenness for the months of the year. A mere glance at it shows the marked peculiarity to be the deficiency for the hot summer months, and a corresponding excess for the colder ones of

winter, there being 47 per cent less for July than for December, with a somewhat gradual change from one to the other. These differences are too great to be ascribed to mere accident, though exactly what their causes may be is somewhat uncertain; in fact, an analysis of the conditions indicates the possibility of at least three. The first is the effect which certain holidays might have upon the occurrence of drunkenness. Undoubtedly some days of the year are made the occasion of a drunken debauch by persons so inclined, and Christmas is one of them. This would tend to increase the number of arrests for December. But the Fourth of July is perhaps just as much of a favorite for such diversion, a fact which would swell the numbers for July. This month, however, fails to show any such effect. In fact, a careful inspection of the daily record of arrests for drunkenness, although showing a slight increase for the festivals mentioned, proves it to be too small to account for the monthly showing. The excesses for the cold months are due to a large daily occurrence, pretty evenly distributed, and the deficiencies for the warm ones to the reverse conditions. Although November shows a considerable excess, I could not tell with certainty by an inspection of the records exactly which was election day, so slight was the increase in the number of arrests for it. It is true that the record for October may be influenced by the fact that the political campaign is at its height, but how much we cannot tell.

Another social condition which may affect the results, is the exit from the city for the summer, of many who are brought with some regularity during the other months, before the bar of the police court. Undoubtedly Coney Island—which was not within the city limits when the data for this study were taken—and many of the other shore-resorts form something of a safety-valve for the New York police during their season, but my study of assault and battery would lead me to believe that the influence of this exodus cannot be great. It would be reasonable to infer

that arrests for these crimes and for drunkenness would be made, for the most part, from the same social stratum, and that social conditions which would affect the prevalence of one of those crimes, would have the same influence upon the other. A moment's thought will be sufficient to show that the summer exit of the frequenters of the up-town clubs would not affect the police courts in the least, for they never get before its bar, no matter how often they are carried home unconscious in a cab. We are dealing only with those who get publicly drunk, and those are the ones who occasionally vary the monotony of a plain drunk with a fight. We could, then, with reason infer that if the public drunkards were gone in any considerable numbers, the public brawlers would be also. Yet this is precisely the reverse of what our study of assault has shown. Upon Fig. 1, I have shown by

FIG. 1.—*Monthly Occurrence.*



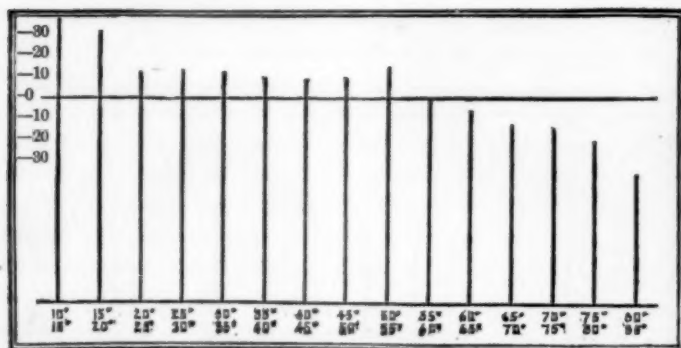
means of a curve in dotted lines, the occurrence of arrests for this crime for the same years. It shows as marked excesses for the warm months as we have deficiencies for drunkenness during that season, a fact which would lessen

the validity of, if not entirely negative the weight of any migration theory which might be brought to bear upon the problem under discussion.

The third hypothesis which might be promulgated is that of the direct influence of the peculiar meteorological conditions, and it seems to be the most plausible. Since, however, the remainder of this paper is made up of a discussion of these conditions, I will simply state here that the prevailing ones for the summer months for New York City are high temperatures, barometer and humidity slightly below normal, light winds and generally fair weather.

*Temperature.*—Fig. 2 shows in a very marked manner, a

FIG. 2.—Temperature.



seeming effect of differing conditions of temperature upon drunkenness. In explanation of it I would say that the exact relation between expectancy and occurrence was worked out for each of the temperature groups indicated at the bottom, and this relation shown for each group by the height of the ordinate above. Low temperatures made business for the police courts, and high ones lessened its labors. Of course, if our conclusions in the preceding paragraph on occurrence were erroneous and the deficiency in drunken-

ness for the summer months was due to social, rather than meteorological influences, conclusions drawn from this figure would also be false. In that case, deficiencies for high temperatures shown here would be but concomitant variations. The summer is hot. If there be but few arrests for drunkenness during the summer, there can be but few for high temperatures. On the other hand, if high temperatures so affect the individual that less stimulant is desired than during those which are lower, we have here the cause of the peculiarities shown in Fig. 1. There are some reasons for believing that this is the case. In the first place, my other studies of weather effects have seemed to show that during moderately high temperatures the vitality of the body is relatively excessive, while for low temperatures it is deficient. These facts in themselves would affect the demand for stimulant. A "bracer" is taken when *needed*, and for many a "bracer" means a "drunk." We may, I believe, with justice conclude that many of the habitués of the police court as prisoners, struggle against their tendencies to drink, knowing the consequences. When vitality is excessive, they do so with success, for days and, perhaps, for weeks they are winners, but finally the time comes when the fight is too severe, and they succumb. That was on the day when vitality was at its lowest ebb, and the cold contributed to that condition. A few glasses of whiskey would remedy all that, and it did so. What cared the poor fellow what Arctic explorers have said about the effect of alcohol upon the system in the long run? He was cold; he was weak. The stimulant would give him immediate, though temporary, relief. He took it and our figure shows the result.

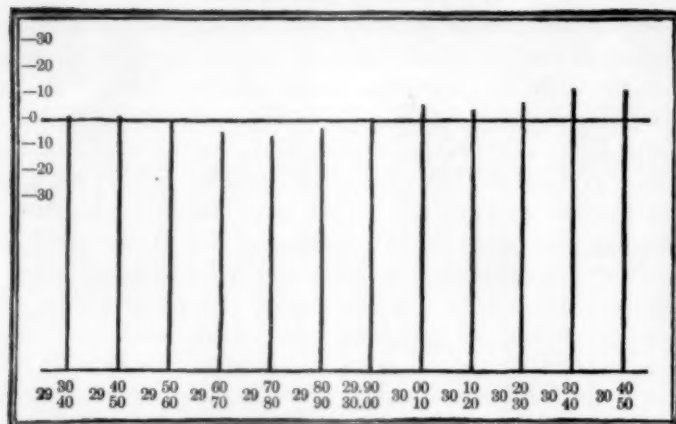
Perhaps another influence of different temperatures shown by our figure is through the kind of alcoholic beverage used. In hot weather a man drinks beer; in cold, whiskey. During the former conditions of temperature, the body demands large quantities of liquid, which, through the secretions of the skin and attendant evaporation, may reduce



the body temperature. Beer meets this requirement, and at the same time furnishes alcoholic stimulant, yet in quantities so small as to intoxicate only when taken inordinately. Yet, if our theory is correct, the condition of vitality is such that even this small amount more nearly meets the demands of the body than during the cold season, and consequent drunkenness is less frequent.

*Barometer.*—The facts shown by Fig. 3 are not so conclu-

FIG. 3.—*Barometer.*

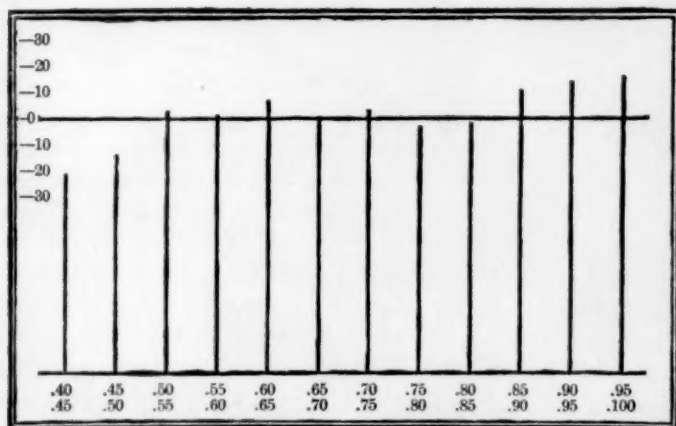


sive as the preceding. In it we have the prevalence of drunkenness for different conditions of the barometer. To generalize from it we may say that the excesses were for high readings of that instrument. It is not easy, with our present knowledge, to account for this. Both high and low conditions of the barometer are distributed pretty evenly throughout the year, so we cannot attribute it to any effect of the season. It is possible that it may be due to the effect of storms upon the vitality of the body, and the consequent demand for stimulant. The barometer is not normally high during periods of bad weather, but usually follows them pretty closely with a rise, and it may be that although the

"bracer" has been struggled against during the prevalence of a storm, at its close bodily conditions are such that the fight is given up, and a debauch follows. It is certain that the actual weight of the atmosphere, as indicated by the barometer, is not the influencing factor. The entire variation in the height of the mercury column for New York City is but little more than an inch, while in going to an altitude like that of Denver, Colo., a change of more than five times that amount is experienced without any noticeable influence upon conduct. The showing for this figure must, we think, be due to other weather conditions which vary with the barometer, yet what they are cannot be said with certainty. We may add that the seeming effect of different barometrical conditions upon the tendency to drink, is exactly the opposite of that upon the occurrence of misdemeanors in the public schools and penitentiary, of arrests for assault and battery and of suicide.

*Humidity.*—The fluctuations in the height of the ordinates upon Fig. 4, which shows the relation between drunk-

FIG 4.—*Humidity.*



eness and varying conditions of humidity, is very great; so much so as to make the curve a hard one to interpret. We have there shown, not only excesses in the number of arrests during high humidities (*i. e.*, during much moisture), but also during those which are lower than the normal. Yet in spite of its circumflexion, the general showing of the curve is an increase of drunkenness with an increase of humidity. This might with reason be expected.

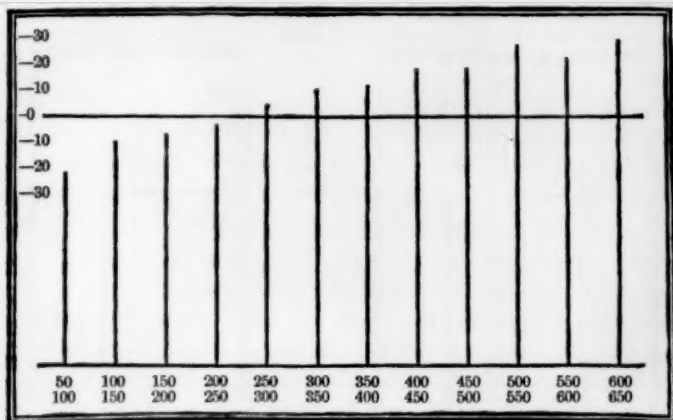
First, the seeming temperature of a cold day in winter is much lower when the humidity is great than when it is small, necessitating, perhaps, more stimulant to keep up the proper vitality under the former conditions than under the latter. Second, on a day on which the humidity is great in summer, evaporation from the surface of the body is less rapid, and, as a consequence, beer, the ordinary summer beverage, loses to an extent its cooling properties. A logical inference would be that less would be drunk with the consequent effect upon the prevalence of drunkenness.

Beside these hypotheses based upon the relation between humidity and temperature, is one having to do more directly with that between the former conditions and the vitality of the body. The studies of weather-effects already alluded to have seemed to show beyond a doubt that vitality is greatest during weather states of small humidity. At such times, the death-rate is lower, and disorder of an active nature more prevalent. My studies have shown that then the electrical potential of the atmosphere is higher—itsself a stimulant without being an intoxicant—with the natural effect that less alcohol is needed, with the lessened danger of the police court.

*Wind.*—Fig. 5, with its row of ordinates regularly increasing in height, argues strongly that high winds are among the saloon keeper's best friends. The numbers beneath the individual figures show the total number of miles the wind blew for the days which, grouped, give the results shown graphically above.

From a deficiency of 23 per cent for conditions of practical calm, to an excess of 50 per cent for wind the velocity of a hurricane, the increase is very regular. In referring conditions of wind to those of temperature, the same can be

FIG. 5.—Wind.

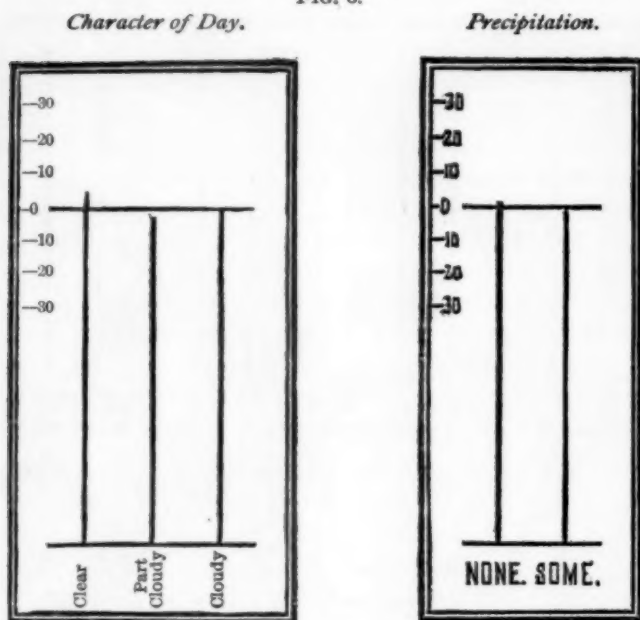


said in part for high winds that was for great humidities, namely, that they intensify the effects of cold. The effect of great heat is, however, usually modified by a movement of air, although evaporation from the surface of the body is augmented, and the demand for liquid refreshments increased. This latter fact would swell the consumption of beer at such times. Our figure seems to show that such is the case.

Upon Fig. 6 are shown the relative numbers of arrests for drunkenness upon days characterized by the United States Weather Bureau as "clear," "partly cloudy" and "cloudy." As so characterized, clear days are those upon which the sun is obscured for three-tenths or less of the time from sunrise to sunset. As partly cloudy when from four-tenths to seven-tenths (inclusive) of that time is obscured,

and as cloudy when more than that amount. Under precipitation, I have contrasted those days upon which there was rain or snow-fall in excess of .01 in. with those on which there was none, without taking into consideration the amount.

FIG. 6.



Considering the influence of some of the other meteorological conditions, as temperature and wind, the effect of these most noticeable differences in weather seems very slight. In fact, so slight as to come within the computed "probable error," and perhaps can only be taken as negative results. Such as they are too, they are contrary to what we should expect from a study of the other conditions and to our line of reasoning. The other conditions show excesses of drunkenness for debilitating weather states, and deficiencies for



those which are exhilarating. Here we have the reverse, for clear and dry days which are bracing give us excesses, though very slight ones, while partly cloudy and wet days show deficiencies. Cloudy days furnish exactly the normal number.

It is hardly worth while, however, to attempt to account for these anomalies since they are so small as to come within the probable error, and may or may not mean anything at all.

In conclusion, I would say that I recognize the limitations of this method of study. By its very nature each meteorological condition is treated as if the others were not at the same time potent. This fact would introduce no error unless two or more tended to vary simultaneously. In that case the effects of one might be imputed to another. If all tended to vary without fixed relation to one another the showing for each would be valid, and a careful study of weather fluctuations seems to show that this is largely the case. We recognize, too, that a study of drunkenness does not have quite the bearing upon the liquor question that one based upon the consumption of stimulants, as influenced by weather conditions, would have. We have argued that the latter affect to a recognizable degree the vitality of the body, and that deficiencies are compensated for by the use of alcohol in some of its forms. But in studying drunkenness we are missing entirely all those whose "bracers" did not lead on to a debauch. Where the feeling of depleted vitality led one man to the police court it probably led a hundred others to the sideboard or to the saloon for a drink, but of these we know nothing. It may be possible at some future time to base a study similar to this upon the daily output of some large city saloons, with striking results.

Certain it is that the great drink problem cannot be solved without having more scientific light thrown upon the psychophysiology of the mass. As long as people demand stimulant it will be obtainable. Lessen the demand and the

attendant suffering will keep pace with its decrease. We cannot hope to alter prevailing meteorological conditions were we convinced of their direct bearing upon the problem, but we can lessen their influence by shielding the unfortunate from their rigors, and by increasing in every possible way the normal vitality of the class which most needs it.

Who can say how largely the drink problem is one of better heated tenements, of warmer overcoats and of more nourishing food!

EDWIN G. DEXTER.

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## CULTURAL FACTORS IN THE CHINESE CRISIS.

The impending final meeting between the Orient and the Occident, of which the world has so suddenly become conscious, has long been foreboded in Western literature and philosophy. The intellectual treasures of India were first revealed to the Western mind when Sir William Jones made the masterpieces of Sanskrit literature accessible, and advanced the suggestions that led to the foundation of comparative philology, which has so deeply influenced all the branches of our learning in the "humanities." In the field of jurisprudence the work of Sir Henry Maine and Rudolf von Ihering bears witness to the mutual approach of the two civilizations. But it is especially the philosophy of the last half of the nineteenth century which bears the deep traces of Oriental influence. Schopenhauer, the representative thinker of the pessimistic and realistic period, derived his inspiration from the intellectual ideals of Buddhism, while Comte, Renan and Nietzsche adopted the Oriental conception of the caste structure of society as the only normal form. In the field of religion, entirely aside from the revival of Occultism, Eastern thought has exerted a deep influence, especially on the continent of Europe. The Parliament of Religions at Chicago offered the best opportunity to observe the mutual courtesy and respect that prevail between the more enlightened representatives of the great systems of belief. In art, Kipling has made the atmosphere of Oriental life familiar to Western readers—a strange paradox, as he himself is the most remarkable exponent of Western energy and progress. In a different manner, but with even more pervasive influence, Wagner's music, inspired by a pessimistic philosophy and expressive of truly Eastern luxuriance and sensuousness, has brought the European mind under the spell of Oriental feeling.

The Chinese crisis has advanced this approach between the oldest and the youngest civilizations to an entirely new phase. In India, so far the chief camping ground of the European in the East, there has been practically no amalgamation of races. With the constantly increasing facility of transportation, the residence of the English has become more and more temporary, so that the knowledge of native life, with which during the days of the East India Company the officials were thoroughly familiar, is now becoming rare among them ; they are mere temporary sojourners who in no way enter into the intimate life of the people. The Portuguese are the only European people who succeeded to some extent in assimilating the Hindus, intermarrying with them and leaving the impress of their religion and language in India, to last through centuries, even down to the present day. But the regions which they occupied and where they exerted their influence seem infinitesimal in the present era of colonial expansion. Nothing can be more superficial nor more alien to the true soul and spirit of popular life than the English civilization at present superimposed over the native society of India. In an entirely mechanical manner the Hindu *babu* acquires the knowledge necessary to pass the civil service examinations. Thus, it is well known that translations of Latin classics are generally memorized from beginning to end by the aspiring candidates. Their spirit does not enter into the work and hence the result is a rather shoddy civilization.

In China conditions are entirely different. The climate makes the permanent residence of white men possible and it admits of no doubt that the races will there mutually influence each other in the most far-reaching manner. Of prime importance in this connection is the entirely different basis of the Russian position in China from that of the British in India. Russia seeks a home for her teeming millions of farmers, who are ready and willing to work the soil with their own hands. Between the Cossacks and the Chinese

there existed great friendliness and mutual confidence before the war. The Russians are Oriental enough in their nature not to feel themselves above the peoples of the Far East, so that they fraternize with them and even undergo a partial assimilation. Russia's paramount importance in contemporary history is her position as chief mediator between the East and the West.

Japan is also eagerly striving to fill this rôle. The island kingdom has found the mechanism of European civilization very profitable. Her craving for social recognition among the nations has been satisfied. But, having opened the eyes of the world to the real weakness of China, she considers it an injustice that she should not be permitted to lead in the reformation of the ancient empire. She is confident that she knows the true needs of the Chinese better than the other nations, and while she is convinced of the hopeless corruption of the Chinese dynasty and political system, she thoroughly believes in the soundness and vigor of the mass of the people. Were she left free to carry out her aims she would introduce Western methods much more rapidly and completely than Russia, and especially in the field of politics she would support liberal reforms that could never be expected at the hands of the northern empire.

The Western governments are, in the Chinese question, animated chiefly by a desire for commercial opportunity and for the safety of industrial investments. They look upon civilization and religion as a commercial asset, and give the missionaries that ostentatious political protection which has aroused the opposition of the masses in China. If given the opportunity they would rapidly and radically transform Chinese institutions and civilization, without, however, understanding the true inner life of the people nor moving the depths of their spirit.

But it is China herself that is the essential factor in the problem. The principal elements of Chinese civilization which we have to consider in this connection are the Confu-



cian morality, the religions of Buddhism and Taoism, the system of state examinations, and the system of local government and guilds.

To anyone who reads the hackneyed moral sentiments that decorate the walls of Chinese public buildings, like the Tsung-li-yamên, Confucian morality will seem little better than a trite hypocrisy, a national "*sauver la face*." But though its ordinary precepts seem so commonplace, and though its influence seems to exhaust itself in an elaborate ceremoniousness, still its teachings on the personal relations form the very backbone of Chinese civilization. This is especially true of the command of filial piety and the absolute subjection of the younger to the older generation; the consequent unswerving reverence for the past which permeates all Chinese life, constitutes the real cohesive force in Chinese society. The Chinese people, though so scandalously lax in public morality, are absolutely honest and scrupulous in their dealings with intimates.

Buddhism and Taoism, so widely separate in original inspiration, have come to subserve the same needs in China. The religious nature of the Chinese is atrophied, they lack enthusiasm and fervor and their Confucianism is nothing more than a rationalistic system of social morality. The religion once inherent in Buddhism has become reduced to ceremonial observances and expiatory sacrifices little above the practices of pure paganism. The great Buddhist revival which is at present stirring India, Siam, and even Japan, is scarcely as yet felt in China. The mandarins especially consider themselves above religious belief, and are given to a cold rationalism which despises all religions alike as merely food for popular superstitions.

In the Chinese state examination system we find the theory of Plato's Republic put into practice. The rulers of the state are selected by a long and rigorous course of education, and when so selected they constitute not only the political government, but the uppermost social caste. Still

the institution is thoroughly democratic from the fact that the son of even the poorest family can, through industry and intellectual brilliance, rise to the highest positions of influence. It has been argued that the present corruption and inefficiency of the Chinese government invalidates the principle of civil service examinations. Such a contention utterly overlooks the fact that the matter in which the Chinese officials are examined is absolutely unpractical, and that the examinations test not the understanding and grasp, but the memory of the candidate. Notwithstanding the abuses that are at present rife in the system, it still constitutes the unifying mechanism of the empire, and it could easily be utilized as the lever of reform. Kwang Su recognized this, and all his reformatory edicts were educational in their character. Had he not been deserted in the hour of need by the British government, who had allowed themselves, at this most inopportune time, to become involved in the South African struggle, the educational system of China might before now have worked wonders in spreading Western ideas, and the chasm into which China has fallen might have been bridged over.

The central government does not weigh heavily upon the people. Taxes are inconsiderable, and there is little general legislation. Most of the government is carried on by the local organs, in which the clan and the family are of paramount importance. The subjection of all the members of the family to their elders and the absolute responsibility of the latter for the good conduct of their charges constitute the chief guarantees for the maintenance of public security. While there is therefore no individualism in China, the unit of society being not the individual but the family, there is a good deal of local self-government, in which the elders have a decisive voice. Analagous to the clan relationship are the guilds of merchants and artisans. To their influence the high character of Chinese commercial honesty and the excellence of the products of Chinese industry are largely

due. Moreover, their customs and regulations furnish a substitute for the commercial law, which is practically non-existent. Most cases involving contracts or transfers of property are arbitrated before the guild tribunals, and an appeal to mandarin justice is avoided by business men. Foreign merchants are thus generally left to rely on the promise of their Chinese customers, unenforced by a legal sanction. Though repeated efforts have been made by the British to secure a commercial code in China, the law is still in the condition of the law merchant of mediæval Europe.

The great question at the present time is, how will Chinese civilization be affected by the new forces that are crowding in upon it on all sides. For the time being, the current of feeling among the Chinese is against all change, against all foreigners, and all foreign influences. But the present revolt is more than a reactionary demonstration. The entire Chinese people, from the most powerful mandarins to the lowliest laborers, are in a state of unrest, excitement and panic. The Manchu party has succeeded at present in directing this unrest against the foreigners, but it might as easily have been aimed against the Manchu régime, or even against all law and order; for with all their respect for settled relations the Chinese are prone to become distracted when they feel that things are going wrong. We cannot withhold our sympathy from a people whose ideal is a peaceful and orderly civilization and who have the highest social virtues, but who are driven to a frenzy by misgovernment and the greed of foreign exploitation.

The actual revolt has been confined to the ignorant lower classes. The educated Chinese, especially in the south, are not at bottom averse to reform and progress. Should the revolt be confined within its present limits the breach may be healed, if the powers show more adroitness and more regard for the rights and susceptibilities of the Chinese than they manifested before the war. Granting that order can be restored, what influence may we

expect the various elements of Western civilization to exert in China? There is no doubt that the reform movement of 1898 enlisted the enthusiasm of large numbers of *litterati* and was in a fair way to succeed, when blocked by underhanded means. Though the enthusiasm of the reformers was somewhat naïve, and though they showed no technical mastery of Western civilization, they correctly read the needs of their time and adopted practical measures. The reform attacked the old system of education and substituted for an antiquated erudition the practical knowledge of modern social and industrial life. In addition to changing the character of the state examinations, the government also provided for the establishment of mining schools and schools in railway engineering in connection with every concession granted to a foreign corporation. Thus the Chinese sought in the shortest possible time to master the scientific principles of industry so as to become independent of foreign aid. The practical spirit of the Chinese makes them especially accessible from this side. They would accept conveniences in commerce and in the industries long before they would modify their ideas of government or of the customs and proprieties of social intercourse.

In this respect China is different from Japan. The Japanese, being eminently social, sought the society of other nations and were especially influenced by their political institutions. The Malay ingredient in their blood seems to make their nature more pliable and alert, while the Chinese are set and immovable in their social and political conceptions. The latter will readily learn from the stranger the mechanic arts, which they regard as subservient to their needs, but they will be slow to modify their essential ideas of life and society. As they are free from religious fanaticism, they would allow Christianity to take its place by the side of Buddhism and Taoism as a religion of the masses, provided it did not interfere with filial piety, ancestor worship, and the Chinese ideas of the proper relation

of the sexes. These institutions and ideas are regarded even by the rationalist mandarins as the immovable foundation of Chinese society, and any religion attacking them must prepare for a life and death struggle, such as that between Christianity and Roman stoicism.

Chinese manufactures have not passed beyond the stage of house industries, but in many branches the artisans are entitled to rank as artists, while careful and honest methods of production are safeguarded by the rigid rules of the guilds. Unfortunately it is to be feared that with the introduction of large factories there will be the same woeful destruction of artistic industries, the same cheapening and coarsening of manufactured articles, that we witness in India. On the other hand it is true that pictorial and dramatic art in China is at present held by the same bonds of conservatism and immovable adherence to conventionalities which are proving so disastrous in political life, so that a change to European standards would in this respect certainly be beneficial. Chinese literature, also, has much to gain, if, by a sweeping reform an alphabet could be substituted for the prevailing system of word-signs. At present fine writing consists largely in the employment of unusual word-signs, and the student of rhetoric is forced in consequence to burden his memory with thousands of these useless and intricate combinations.

In their efforts to remodel the civilization of China, the Western powers have not succeeded in reaching the inner life of the Orientals. The missionaries, with all their genuine sympathy and self-sacrificing devotion, antagonize them by opposing their cherished social customs and institutions; the traders, disdaining the trouble of understanding their natures, frankly despise them. Hence, any influence that may be exerted will come from the plane of economic and political superiority, and will be in danger of leading to the same superficial civilization that has been produced in India. England, on account of her multifarious experience and the adaptability of her methods, will be most likely to succeed in



an external imposition of Western industrial and political institutions. Less can be said for Germany and France unless they abandon their cast-iron systems of administration, and enter more into the spirit of the life among the natives.

Japan, in her ambition to be the mediator as well as the Albion of the Orient, is becoming constantly more fearful of Russian encroachment. While she has brought herself to realize that the occupation of Manchuria by Russia is reasonable and necessary, she would not willingly brook any further extension of Russian influence. Between the Chinese and the Japanese, however, there is also little sympathy. Racial affinities do not always lead to political friendship, as we see in the case of England and Germany. To the Chinese, the dwellers of the island kingdom are inferior dwarfs, to be treated with hauteur or even contempt, and few Japanese find it convenient to reside in China. Consequently they would welcome an opportunity further to impress the Chinese with their real strength. They would readily introduce the mechanism of European civilization into China, but, as they themselves have not as yet caught its spirit, their mediation would be no less superficial than that of the Western powers, although for different reasons.

In many ways Russia seems the destined mediator between the East and the West. In her civilization she combines European and Asiatic characteristics, as in her polity she unites the nationalism of Western Europe with the imperialistic ideal. Her pliable and unscrupulous diplomacy, her ceremonious religion, the simple and impressive absolutism of her government, fit her especially to deal with Orientals. Even her vices come to her assistance. The recent brutality of the Cossacks along the Amur, where an American traveler<sup>1</sup> in one day saw twenty thousand dwellings of peaceful Chinese in flames, and the river for miles black with the corpses of their former inhabitants, must indeed leave terrible memories.

<sup>1</sup>G. Frederick Wright in *The Nation*, Sept. 27, 1900

So will the looting practiced by Russian soldiers around Tientsin, which apparently the officers conscientiously tried to prevent. But in the Orient these outbursts of passion and cruelty may even add to the prestige of Russia. The Chinese are accustomed to sudden and brutal executions, and they have a fatalistic respect for any one who is powerful and unscrupulous enough to carry them out.

Beyond finding new regions in which her people may settle Russia has no high cultural aims in the Orient. While at home she insists upon religious uniformity, she makes no propaganda of orthodoxy in the East. After a region has been occupied and its people terrified into submission, her emigrants settle down peacefully by the side of the older inhabitants and gradually influence their habits and customs. The question in Eastern Asia will be, which has the greater assimilating capacity, Russia or China? It is to be feared that Russia, already semi-oriental, will become still more Asiatic as she succeeds in extending her dominion in China. Still, the deeper we enter into the study of the character of Russia, the less can we avoid the conclusion that her destined work is mainly in the East. She is not touched with the rationalism and individualism of the Occident. As one of her greatest writers has said, "Russia cannot be understood with the intellect, she must be believed in." Her writers, like Lermontow and Dostojewski, have given us in their descriptions of East-Russian life more of the flavor of the Orient than we can find in the literature of any other nation.

The assimilation of Northern China by Russia cannot be prevented. The promise at present offered by the Russian government that it will evacuate Manchuria is impossible of fulfillment. The railway interests already acquired are too great to be abandoned, and without Manchuria the Eastern empire of Russia would remain mutilated. Germany, the nearest neighbor of Russia in Europe and in Asia, makes no objection to the expansion of her power. She recognizes

the civilizing mission of the northern empire and also profits from her constantly expanding markets, which German manufactures in great measure supply.

The character of the various powers as civilizers in China will soon become apparent; for though an open partition is unlikely and the exercise of direct sovereignty seems impossible, the powers have acquired such important interests in the various parts of China that they will continue to influence the destiny of these regions. The international competition will make the powers still more careful of their actions than Great Britain has been in India, so that they may be expected to employ their best energies in the work. A great difference will exist between the relations established in the south of China, which will be chiefly commercial, and those of the north, which will be ethnical. This is not the place to speculate on the probable reaction of these developments on Western civilization, however important it may be. It is noteworthy that just at present a great Buddhist revival is taking place in Siam, Ceylon, Burma and Japan—a revival destined to purge Buddhism of the corrupt and degenerate elements which for two thousand years it has taken on and to restore it to its pristine purity. When thus reformed it will be much more likely to exert an important influence on Western thought and civilization than when burdened with the odium of superstitious practices as at present. Whether in politics the opening of the Orient will lead to an emphasizing of absolutism, and to a discouragement of individualistic and liberal principles of government, is a question which must engage the most serious thought of student and statesman, especially as there are many symptoms of such a tendency in all parts of the Western world.

PAUL S. REINSCH.

*University of Wisconsin.*

## PERSONAL NOTES.

### AMERICA.

**University of Chicago.**—Dr. Thorstein B. Veblen<sup>1</sup> has been promoted to the rank of Assistant Professor of Political Economy in the University of Chicago. He has written in recent years :

"*The Theory of the Leisure Class.*" An economic study in the evolution of institutions. Macmillan Co., New York, 1899. 12mo. Pp. viii and 400.

"*The Instinct of Workmanship and the Irksomeness of Labor.*" In American Journal of Sociology, September, 1898.

"*The Beginnings of Ownership.*" *Ibid.*, November, 1898.

"*The Barbarian Status of Women.*" *Ibid.*, January, 1899.

"*The Reconceptions of Economic Science.*" Three papers, Quarterly Journal of Economics, January, 1899, June, 1899, and February, 1900.

**Columbia University.**—Dr. Charles Lee Raper<sup>2</sup> has been appointed Lecturer in History in the Barnard College of Columbia University. In the September issue emphasis was laid by mistake on his appointment to the University of North Carolina for the summer quarter of 1900. Dr. Raper enters this fall upon his permanent duties at Barnard College.

**University of Illinois.**—Dr. M. B. Hammond<sup>3</sup> has been appointed Assistant Professor of Economics and Sociology at the University of Illinois. Mr. Hammond occupied the position of Assistant in Economics at the same institution in 1897, was appointed Instructor in 1898, and Assistant Professor of Economics in 1899. In 1898 he received the degree of Ph. D. from Columbia University. His recent publications have been :

"*The Southern Farmer and the Cotton Question.*" Political Science Quarterly, September, 1897.

"*Correspondence of Eli Whitney with Reference to the Invention of the Cotton Gin.*" American Historical Review, October, 1897.

"*Cotton Culture and the Cotton Trade.*" 390 pp. Publications of American Economic Association. New series, No. 1, December, 1897.

"*Problems of Exchange and Trade.*" The Dial, June, 1898.

"*Recent Tendencies in Currency and Finance.*" *Ibid.*, October, 1898.

<sup>1</sup> See ANNALS, vol. viii, p. 353, September, 1896.

<sup>2</sup> See ANNALS, vol. xvi, p. 281, September, 1900.

<sup>3</sup> See ANNALS, vol. viii, p. 360, September, 1896.

"*The Problem of Distribution.*" *Ibid.*, February, 1900.

"*The Southern Farmer and Banking Reform.*" *Sound Currency*, December, 1898.

"*Women's Wages in Manual Work.*" *Political Science Quarterly*. (In Press.)

**University of North Dakota.**—Mr. Andrew E. Morrison has been appointed Instructor in Economics at the State University of North Dakota. Born October 19, 1873, at Moberly, Ontario, he obtained his early education in the public schools of Minnesota and North Dakota, and graduated from the University of North Dakota in June, 1900, with the degree of B. A.

**University of Vermont.**—Francis Newton Thorpe, A. M., Ph. D., was elected Converse Professor of Political Economy and Constitutional Law, and Dean of the recently created Department of Commerce and Economy, in the University of Vermont, in June, 1900. He was born in Swampscott, Essex County, Mass., April 16, 1857. He was prepared at the Academy and Lake Shore Seminary, North East, Pa. He took his Ph. D. at Syracuse University in 1883. He taught Latin and higher mathematics one year in the High School, Pleasantville, Pa., and after superintending public school work at North East, was admitted to the bar at Erie, Pa., in 1885. He spent the year 1885-86 in the Law School of the University of Pennsylvania, holding, at the same time, a fellowship in the Wharton School, in History and Political Science. He was re-appointed Fellow for 1886-87. In 1886 he was elected Professor of History, Social Science and Literature in the Philadelphia Central Manual Training School. He was appointed Lecturer on Government in the University from 1888-90, and in 1891 he resigned his chair in the Training School to become Professor of American Constitutional History in the University,—a position which he held until his resignation, September 1, 1898. In 1889 he was admitted to practice in the Supreme Court. While at the University of Pennsylvania, Dr. Thorpe was extremely active in the department of history, and through his efforts the Library of American History was secured. He inaugurated lectures on Saturday for the teachers of the Philadelphia Public Schools, which have since become a conspicuous feature in the work of the institution.

Professor Thorpe has in press a work in three volumes which will be brought out together, entitled, "A Constitutional History of the United States, 1760-1895," which he began in 1880-81 and completed in April, 1900. Another work, also in press, is a History of the United States for Junior Classes. He has in preparation a "Life of William Pepper, M. D., LL. D.," late Provost of the University of Pennsylvania. During Dr. Pepper's Provostship, Professor Thorpe was brought



into close relations with him, and at his death his papers and other biographical material were placed in Professor Thorpe's hands.

Professor Thorpe was one of the earliest University Extension lecturers in this country, and has delivered a very large number of lectures in this work. In addition to many articles in the newspapers he has written:

"*The Study of American History in American Colleges and Universities.*" Education, Boston, June, July, 1886.

The same, rewritten in Circular of Information No. 2, Bureau of Education, Washington, 1886.

"*The Origin of the (Federal) Constitution.*" Magazine of American History, August, 1887.

"*Articles on American History.*" Education, Boston, May, June, 1887, March, 1888.

"*The Chautauqua County in History.*" The Chautauquan, July, 1888.

"*The Chautauqua County in History.*" July, 1889.

"*Civil Rights Guaranteed by the State Constitutions.*" Education, Boston, May, June, 1899.

"*Manual Training as a Factor in Modern Education.*" The Century Magazine, October, 1889.

"*The Government of the People of the United States.*" 12mo. 302 pp. Eldridge & Bro., Philadelphia (first ed.), 1889.

"*Civil Government in the Schools.*" Education, Boston, November, 1899.

"*Washington and Montana: Have they made a Mistake in their Constitutions ?*" The Century Magazine, February, 1890.

"*Recent Constitution-Making in the United States: North Dakota, South Dakota, Montana, Washington.*" ANNALS OF THE AMERICAN ACADEMY, Philadelphia, September, 1891.

"*The Story of the Constitution.*" The Chautauqua Press. 208 pp. 1881.

"*John Alexander Jameson, LL. D.*" ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, January, 1891.

*University Extension Syllabi:* (1) "Europe Finds America," 10 pp.; (2) "The Constitution of the United States," 9 pp.; (3) "American Statesmen," 12 pp.; (4) "The Civil Development of the United States," 12 pp.; (5) "Epochs in American History," 12 pp.; (6) "The Administration of Government," 12 pp. Each syllabus outlines six lectures. The J. B. Lippincott Co., Philadelphia, 1891-92.

"*Benjamin Franklin and the University of Pennsylvania.*" 8vo. 450 pp. Washington: Government Printing Office, 1893.

"*American Democracy.*" The Atlantic Monthly. December, 1893.

"*The Principles of Government in the United States: Outline of Lectures in the School of American History and Institutions.*" University of Pennsylvania. 32 pp. Lancaster, 1893.

"*The Government of the People of the United States and of the State of Pennsylvania.*" 12 mo. 300 pp. Eldredge & Bro. First edition. 1893.

"*Le Principe de Representation en Amerique. Revue du Droit Public, et de la Science Politique en France et a L'Etranger,*" Paris: Juillet-Aout, 1894.

"*Is the President of the United States Vested with Authority Under the Constitution to Appoint a Special Diplomatic Agent with Paramount Power, Without the Advice and Consent of the Senate?*" The American Law Register and Review, April, 1894.

"*A Shorter Course in Civil Government.*" Eldredge & Bro., Philadelphia. (Eighteen different State editions.) 1894.

"*The Government of the People of Pennsylvania.*" 94 pp. Eldredge & Bro., Philadelphia, 1894.

"*The University of Pennsylvania.*" Harper's Magazine. September, 1894.

"*The Constitution of the United States, with an Index and Bibliography.*" 116 pp. Eldredge & Bro., Philadelphia, 1895.

"*The Works of Lincoln as a Political Classic. Open Letter.*" The Century Magazine, July, 1895.

"*A New Suffrage Qualification. Open Letter.*" The Century Magazine, October, 1893.

"*The Dominant Idea in American Democracy.*" Harper's Magazine, November, 1896.

"*A Century's Struggle for the Franchise in America.*" Harper's Magazine, January, 1897.

"*The Hundred Years' Campaign.*" Harper's Magazine, May, 1897.

"*A Constitutional History of the American People, 1776-1850.*" Harper & Bros. 2 vols. 8vo. 1898.

"*The Civil Service and Colonization.*" Harper's Magazine, May, 1899.

"*Paul Leicester Ford's Many-Sided Franklin.*" American Historical Magazine, April, 1900.

"*Forgotten Presidential Candidates.*" The Chautauquan, June, 1900.

**Western Reserve University.**—Dr. Francis Walker<sup>1</sup> has been appointed Associate Professor of Political Science at Western Reserve University, Cleveland, Ohio. In recent years Dr. Walker has been

<sup>1</sup> See ANNALS, vol. vii, p. 92, January, 1896.

Instructor in Political Science at Colorado College, Colorado Springs, Colo.

**University of Wisconsin.**—Dr. Edward D. Jones has been appointed Assistant Professor of Economics and Commercial Geography in the School of Economics and Political Science, at the University of Wisconsin. He is also to deliver a course of eighteen lectures on "The Industries of the United States," at the University of Michigan, during the coming year. As was stated in the November, 1899, ANNALS,<sup>1</sup> Dr. Jones was on a leave of absence from the University of Wisconsin last year, and was engaged as Special Agent with the Department of Education and Social Economy at the Paris Exposition. He was appointed a member of the International Jury of Award. The United States Government was granted a "Grand Prix" on the exhibit of maps and charts on the "Resources and Industries of the United States," prepared by him.

Dr. Jones has recently published:

"*Economic Crises.*" New York: Macmillan, 1900. (In the "Citizens' Library of Economics and Politics.")

"*The Country and the People,*" and

"*The Resources and Industries of the United States,*" being monographs published by the Paris Exposition Commission for distribution at Paris in connection with the Social Economic Exhibit.

"*Why America Should be Great,*" a series of articles now appearing in *Leslie's Weekly*.

<sup>1</sup> See ANNALS, vol. xiv, p. 353.

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#### NOTES.

"THE LIFE OF WILLIAM SEWARD," by Frederic Bancroft,<sup>1</sup> illustrates the value of biography in historical study. The life of Seward for forty years formed an important part of the history of the nation. A nation's activity is made up of the activities of all of the individuals composing it. In works of general history this is often lost sight of; the reader is apt to obtain a vague impression of national activity as a whole. Biography puts history in the light of individual activity. The author of "The Life of Seward" has grasped the full significance

<sup>1</sup> Pp. ii, 576. Price, \$5.00. Vols. 2. New York: Harper & Bros.

of this advantage in the presentation of his data. We live again the life of the subject of his sketch; we breathe the atmosphere and feel the pulse of the times in which he lived. Reading "The Life of Seward" we move with him through his strong, private and active public career; we think as he thought; we help him to solve the problems of the time; we come into personal contact with Lincoln, with Weed, with all of those master spirits of the middle period of our history; we attend conferences settling the great questions of the day; we read history from the vantage ground of personal experience. In this work careful scientific research has given to the author the advantages both of historic method and of pleasing form of presentation. As history "The Life of Seward" must be regarded as one of the strongest works on the period which it represents; as biography it is well adapted to the illumination of the life and activity of a great man.

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MR. JOHN JAY CHAPMAN is always entertaining and stimulating in the treatment of any topic he selects. "Practical Agitation"<sup>1</sup> is a series of brilliant essays on the influences of personality in political life and in current literature, especially of the newspaper type. While Mr. Chapman is not a pessimist he is usually hypercritical, with no realization of the historical significance of compromise in the world's politics. He attacks everything that does not conform to the strictest standard of straightcut reform and dog-in-the-manger tactics in its accomplishment. The masses understand and appreciate sincerity and nothing else, and this means that you cannot speak to any one on the street with whom you do not thoroughly agree on every question of public policy; otherwise, your act will be misconstrued and you will be guilty of insincerity. That a philosophy of this type lends itself to trenchant expression, especially in the hands of Mr. Chapman, no one will deny, but of its permanent value as an educational force, there may be grave doubts.

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"THE TRUSTS" is the title of a new work by William Miller Collier,<sup>2</sup> in which the author has given a broad though somewhat partisan view of the question. The leading features of the problem are presented in the chapters on "The Mother of Trusts," "Crises and Potential Competition," "Trusts and the Wage-earner," "Trusts and Special Privileges" and "Trusts and Expansion." According to the author's view, the trust has arisen out of the waste of competition and the economies that are to be secured by organized co-operation. On

<sup>1</sup> Pages 157. Price, \$1.25. New York: Charles Scribner's Sons, 1900.

<sup>2</sup> Pp. viii, 338. Price, \$1.25. New York: Baker & Taylor Company, 1900.



the subject of monopoly prices it is claimed that no combination of capital can completely monopolize any field for the purpose of fixing prices arbitrarily; that the trust must deal with the public and must meet with the competition of substitutes for trust products. Moreover, it must provide against competition from other producers who are attracted to the field of industry whenever prices are fixed at such a point as to bring large returns in profits. This double competition must ever keep the trust organization within reasonable bounds with regard to prices. The author also regards the trust as one of the productions of modern economic development growing out of competition and improved methods, and as intended to place us in a position of advantage in foreign trade.

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THE RADICAL SOCIALISTS and radical labor parties of France held a joint congress in Paris on December 3 to 8, 1899. The stenographic report<sup>1</sup> of the proceedings has just been issued and makes an interesting collection of material for any one who wishes to study the erratic course of the majority of these bodies in contemporary French economic and political history.

In addition to the main addresses and the discussions, punctuated with all possible suggestions of the varying moods of the body of the congress, one finds in this official report a list of all the heads of the various departments of France represented in the congress, and also the names of those voting for and against the principal resolutions adopted by the congress. These resolutions show that on the question of class conflict and of the participation of socialists in the existing bourgeois régime, that there are considerable differences of opinion. The first resolution stated that the class conflict did not permit a socialist to take part in a bourgeois government, and, of course, was a hit at a prominent member of the present ministry. This was carried by a vote of 816 to 634. The second resolution declaring that under existing circumstances it was the duty of the socialists to organize the working men, commencing with a local and peaceful attempt at the political expropriation of the capitalist class, which will finally end in revolution, was carried by a vote of 1,140 to 240. The resolution on methods advocating electoral and revolutionary political action, general strikes and boycotting, was carried unanimously. Other resolutions attacking the Military Party, the Clerical Party, the Anti-Semitic Party, the National Party, and relating to the efforts of socialistic organizations were also carried unanimously.

<sup>1</sup> Congrès Général des Organisations Socialistes Françaises. *Compte rendu Sténographique Officiel*. Pp. 502. Price, 4 fr. Paris. Librairie. Georges Belais, 1900.

ALEXANDER DEL MAR probably deserves to be called the most enthusiastic and indefatigable of all the men at present engaged upon the theory and history of money. In his "History of Money in America"<sup>1</sup> he is aiming to supplement his volumes on the "History of Monetary Systems" and the "History of the Precious Metals." The small volume just published concerns itself entirely with an inquiry into the kinds of money which were used in America between 1492 and 1789. Mr. Del Mar is of the opinion that gold was used as money in Peru prior to its discovery by Europeans, and that such use was abandoned because of the abundance of gold. He gives many interesting facts about the early uses of money among the aboriginal tribes both in North and South America, and concerning the coin and paper issues of the British colonies. In a brief chapter he gives the essential facts concerning the issues of Continental money during the Revolutionary War. Like all the writings of Mr. Del Mar, this volume is pervaded by his well-known opposition to the modern system of free coinage. He is always finding evidence that no monetary system can be safe unless the supply of money is carefully regulated by government. All of Mr. Del Mar's writings deserve a place in the library of every student of the money question, and this latest work is no exception.

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"THE COMING TRUST,"<sup>2</sup> written by Mr. L. L. Hopkins, is a suggestive pamphlet of 134 pages. It represents in the form of a narrative the promotion and business success of an hypothetical organization of the agricultural and manufacturing interests. The purpose of this organization called "The Coming Trust" is that of producing and marketing goods with greater economy. The story portrays the gradual evolution of a combination of farmers in Kansas, who are desirous of marketing their wheat in New York without the intervention of middlemen, to a national organization operated by and for the benefit of the producers; the directory and managers of the concern are made up of the salaried agents of the stockholders instead of being themselves the prime beneficiaries. In simplicity of style and clearness of detail the work suggests "Coin's Financial School."

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"THE HISTORY OF BANKING IN THE UNITED STATES"<sup>3</sup> by the late John J. Knox, is a work that should find a place on the shelves

<sup>1</sup> *The History of Money in America from the Earliest Time to the Establishment of the Constitution.* By Alexander Del Mar. Pp. 118. Price, \$1.50. New York: Cambridge Encyclopedia Company.

<sup>2</sup> Price, 25c. New York: Advance Publishing Company.

<sup>3</sup> Pp. xxii, 830. Price, \$5. New York: Bradford Rhodes & Co., 1900.

of every student of banking. Not only is it commended by its comprehensive scope, but also by its authorship. Mr. Knox was a practical banker. Moreover, his experience in public service—five years as deputy controller, and twelve years as controller of the treasury—placed him in immediate touch with all the sources of information necessary to the preparation of such a treatise. His intelligence and scholarly devotion to the subject of banking led him to mature consideration of all the questions and interests which his long life of public and private activity involved. It is seldom that an author is found with such qualifications for scientific and literary writing. The work of Mr. Knox, after his death, was left in hands quite as competent to bring it to a close. It has been revised and brought up to date by Mr. Bradford Rhodes, editor of the *Bankers' Magazine* of New York, and assisted by Mr. Elmer H. Youngman, his associate.

The book begins with a general view of the history of banking in Europe. This is followed with a sketch of colonial banking and bank operations under the Continental Congress. Systems both national and state are subsequently set forth in orderly arrangement and completeness of detail. The history of the national banking system is largely drawn from the personal experience of the author, whose literary activities and public service began about the time of the introduction of the national banking system. A special feature of this work is the space given to the history of state banking. This part of the subject is treated first by giving a general history of the movement and of the special features in state banking. The author then describes the systems as they have arisen in each state separately, grouping the states geographically for the purpose of the discussion. Much statistical information is incorporated in the work which cannot be found elsewhere in convenient form. Attention is also given to the legislation involved in our financial development. The work is handsomely illustrated with engravings of leading American bankers and financiers.

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HEREDITY AND HUMAN PROGRESS,<sup>1</sup> by W. Duncan McKim, M.D., Ph. D., is a discussion of the question of how to check the increase of the defective and criminal classes. The author is something of an alarmist on the present situation, and advocates the drastic remedy of a painless death to be executed in state institutions upon the very worst of these classes. The idea is not a new one and neither is it presented in any new or striking way. In the chapter on "Objections to the Remedy Proposed," almost all objections of weight that

<sup>1</sup> Pp. viii, 263. Price, \$1.50. New York and London: G. P. Putnam's Sons, 1900.

have been brought forward are touched upon, but none of them treated with a fullness that is likely to carry conviction for the author's position, nor can it be said that he has given a satisfactory answer to objections that have been stated with great force and relevancy. With the increasing feeling that the state should not enforce the death penalty, even for aggravated crime, Dr. McKim's proposition is sure to prove too radical to accomplish great results. There are other remedies for checking the multiplication of the defective and criminal classes which do not appeal to sentimentalists any more than Dr. McKim's and are yet more likely to be given serious consideration, and perhaps wholesome experimentation in the near future.

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MR. J. HOWARD MOORE, of Chicago, in a small volume of essays entitled "Better World Philosophy: A Sociological Synthesis,"<sup>1</sup> discusses the interesting conflict between the motives of egoism and altruism in their relation to the social problem of our own time. The Problem of Industry, The Blunders of Individuals in Interpreting the Animate and Inanimate Universe, The Social Problem, Egoism and Altruism, The Preponderance of Egoism, The Social Ideal, The Derivation of the Natures of Living Beings, Race Culture and Individual Culture are the topics of these essays. The fundamental thought running through the book is that both egoism and altruism are capable of classification and are found in a few well defined stages of intensity in all human beings. Furthermore, that both egoism and altruism are essentially rational motives. On this point it will be noted that the author takes issue with Mr. Kidd. The purpose of the volume is to show the existing preponderance of egoism in the social conduct of individuals and to discuss the question of how the preponderance may be turned, especially through the education of the young, in favor of the altruistic factor.

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THE THEORY OF EVOLUTION in its application to the origin of man is a subject of very general interest. Most writers nowadays assume that their readers accept the evolutionary hypothesis concerning man's ancestry. Very few persons know anything of the evidences upon which this theory rests or are able to read the scientific works which treat of those evidences. Mr. Charles Morris has given us, under the title "Man and His Ancestor: A Study in Evolution,"<sup>2</sup> a very modest clear and untechnical discussion of those evidences. He follows in the main the best scientific literature from Darwin to the present, and puts in a few suggestions concerning significant facts discovered since

<sup>1</sup> Pp. 275. Chicago: Ward-Waugh Company.

<sup>2</sup> Pages 238. Price, \$1.25. New York: Macmillan Company, 1900.

Darwin's time, which offer additional lines of evidence. The book is one which no reader of the social literature of the day can read without profit. It will help in clearing up many concepts which are currently accepted but dimly understood. The work is, moreover, sane and conservative from a positive evolutionist's point of view.

WALL STREET<sup>1</sup> is a perennial source of interest to the uninitiated. Books which describe its methods and operations always seem to be in demand. Mr. Nelson's "A B C of Wall Street," although modest in size and pretensions, is an interesting book and is unusually accurate and reliable. An appendix gives the dictionary of the Wall Street jargon, which will be found very helpful to people not familiar with speculation. The book contains numerous extracts from the writings of Jevons, White, Muhleman and others. It describes Wall Street methods; it does not pretend to tell men how to make money there.

MR. A. B. NETTLETON, former Assistant Secretary of the Treasury, has recently brought out a work entitled "Trusts or Competition."<sup>2</sup> In this work Mr. Nettleton attempts to give both sides of the trust question. Pursuing this plan the author sets forth the arguments for and against the trust in clear and analytical style. Following these discussions the expressions of various leading thinkers in the spheres of finance and politics are given, together with the action taken by trust conferences and the United States Industrial Commission. The work is supplemented with extracts from anti-trust legislation and decisions.

IN "*Das Meer als Quelle der Völkergröfse*,"<sup>3</sup> a pamphlet of eighty-six pages, the author, Friedrich Ratzel, has re-stated some of the thoughts contained in his "*Politische Geographie*." He discusses the influence of the sea upon the migration of peoples, finding that the maritime peoples are naturally migratory or expansive, because the land upon which they live necessarily gives a limited food supply. The people, therefore, extend their settlements from one island to another and along the coasts, as successive increases in the population necessitate new food supplies. The author also believes that islands are naturally the centre of world powers and cites numerous instances in support of this thought. The significance of maritime peoples and

<sup>1</sup> *The A B C of Wall Street*. Edited by S. A. Nelson. Pp. 164. Price, \$1.00. New York: S. A. Nelson, 16 Park Place.

<sup>2</sup> Pp. 304. Price, 50c. and \$1.00. Chicago: Leon Publishing Company, 1900.

<sup>3</sup> Pp. 86. Price, 1 m. 20 pf. München: R. Oldenbourg, 1900.



their influence upon history varies greatly at different epochs. Professor Ratzel thinks that the influence of the Mediterranean Sea upon European civilization has at times been over-rated, since most of the great migrations took place through the interior of Europe rather than across the Mediterranean. At the present time, however, we are in the midst of a great development of sea power, which is extending to all progressive nations. The distinction between the land and the sea powers in world politics is rapidly dying out because of the great increase in the number of sea powers, and because all progressive peoples are steadily pushing their way toward the sea. "But it lies in the nature of the land that even the slowest progress finally brings the people to the ocean and no people will permanently renounce the advantages of sea trade; therefore, that steady progress of the inland peoples toward the ocean which is found in the negro races in Africa as well as the most cultivated peoples of Europe." This tendency is having a two-fold result, first, the enormous territorial expansion of the maritime powers, and, second, the destruction of the old balance of powers in Europe. Although the pamphlet contains ideas which the author had worked out before the present stage of international politics, yet it is intended primarily to educate the Germans to the necessity of a larger navy.

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THE HON. WILLIAM SCRUGGS, who was for many years the diplomatic representative of the United States in Colombia and Venezuela, has written a book<sup>1</sup> concerning these two countries. The volume will be a disappointment to persons familiar with the places described, and can hardly be recommended to those desiring information on Central or South America. The book contains chapters on the Panama Isthmus and canal, sections describing the coast and interior parts of Colombia and Venezuela, accounts of the manners and customs, revolutions and natural resources of each nation. The author discusses the political institutions of the countries named, makes some observations regarding the Monroe Doctrine, and gives an account of the Venezuelan boundary dispute. The political institutions and the economic resources of Colombia and Venezuela merit careful study on the part of the United States, and it is to be regretted that Mr. Scruggs has not written a work of more permanent value.<sup>2</sup>

<sup>1</sup> *The Colombian and Venezuelan Republics, with Notes on Other Parts of Central and South America.* With maps and illustrations. By WILLIAM L. SCRUGGS, Late Envoy Extraordinary and Minister Plenipotentiary of the United States to Colombia and to Venezuela. Pages, xii, 350. Price, \$2.50. Little, Brown & Co., 1900.

<sup>2</sup> Contributed by Emory R. Johnson.

DR. CHARLES B. SPAHR, one of the editors of the *Outlook*, has reprinted in an attractive volume his articles on "America's Working People,"<sup>1</sup> originally published in the *Outlook*. The articles originally attracted considerable attention, and even to those familiar with them they will be welcomed in the present collected form. The author has attempted to investigate conditions as they exist, and on the whole is rather optimistic in his conclusions. Economic gains seem to have offset economic losses in most of the departments of industry investigated. This is less true of farming districts, and yet Dr. Spahr is by no means as pessimistic as most recent writers in speaking of the condition of the American farmer. The studies in this volume cover the factory towns in New England and in the South, a primitive community in Arkansas, the coal and iron centres in Pennsylvania, two chapters on the negro, one on Mormons, a study of the trade union movement in Chicago and of the northern farmer. The chief value, as well as the chief weakness, of these studies consists in the fact that they are not statistical, but rather impressionist in character, and attempt to reflect the whole life of the people in the industry or section of the country under discussion.

THE WORK of the London School Board<sup>2</sup> has just been described in an interesting compilation prepared for the Paris Exposition. The president of the board, Lord Reay, says, in his preface to the volume: "Although the school board has only been in existence for thirty years, it has wrought so great a revolution in the educational condition of London that people are apt to forget the calamitous state of affairs which existed before it was established . . . ." These conditions are briefly described in the first twenty pages of the book. In the second part an outline of the existing organization is given. From the interesting statistics given in this part it appears that until 1893 the number of children of school age exceeded the accommodations provided but that since 1893 the accommodations have been in excess. The efficiency of the board in bringing about this result is more striking when it is known that in 1870, when the board was instituted, over 180,000 children of school age were without accommodations. Part II also contains a convenient summary of information concerning school buildings, apparatus and text-books, compulsion, industrial schools and school finances. The local school taxes are levied by the various local councils of the municipality upon demand

<sup>1</sup> Pages vi, 261. Price, \$1.25. New York: Longmans, Green & Co., 1900.

<sup>2</sup> By T. A. Spalding, T. S. A. Canney and others. Pp. 269. Price, 5s. London: P. S. King & Son, 1900.

of the board. The annual cost per child in 1900 is eighty-seven shillings, of which fifty-five shillings are paid from the local taxes, the remainder being given by the state. Part III contains a series of articles upon special topics, *e. g.*, infant schools, teachers' training, drawing, singing, cookery, domestic economy, the abnormal child and evening schools, etc. The book will be of great interest to all American as well as English educators.

"WHAT WOMEN CAN EARN"<sup>1</sup> is a discussion of the occupations of women and their compensation. The volume is a collection of very brief articles on the different professions and occupations in which women have entered in recent years, contributed by a large number of writers, many of whom, by their own conspicuous successes or their experience with women engaged in gainful occupations, can speak with authority. Most of the articles appeared originally in the *New York Tribune*, and are reprinted from the Women's Page of that paper. They contain a certain amount of wholesome advice for young women entering upon business careers, and are of some general interest in reflecting the usual difficulties with which women have to contend in the business world. The volume as a whole, however, has little scientific value as a study of women's attainments or failures in business.

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REVIEWS.

*Pennsylvania, Province and State.* By ALBERT S. BOLLES. 2 vols. Pages vi, 532; x, 582. Price, \$5.00. Philadelphia: John Wanamaker. 1899.

Dr. Bolles has given the public, in the present work, a history of Pennsylvania from 1609 to 1790. His subject is one of peculiar interest. To use his own language: "Of all political institutions planted in the Anglo-American colonies, Penn's 'holy experiment' is the boldest, the most comprehensive, the most original." The land grant which furnished the material basis for this experiment included, in all, about forty-five million acres, a tract larger and more fertile in resources than that of England itself. The society and political organization planted here were unique. The early history of this new-world institution and the development of the proprietary into a state is portrayed in a most entertaining style. Dr. Bolles has aimed to write in a manner to entertain rather than to impress the reader with his scientific qualities. He has avoided foot-notes and the usual drappings of scientific history. The reason for this, as he states in his preface, is that the work is intended for the general reader, who trusts to the

<sup>1</sup> Pages xvi, 354. Price, \$1.00. New York: Frederick A. Stokes Company.

author and does not care for references. The author feels justified in regarding the wishes of the popular reader rather than those of the few "who would be pleased to see fortifications bristling around every statement." In further explanation of his method, the author announces that he purposes to deal in another work more fully with the materials pertaining to the history of Pennsylvania than he could in this. The first volume is given to tracing the development of the province and state from the early settlement by the Dutch and the Swedes prior to the time of Penn's purchase, through the interesting experiences of the early Quaker foundation, to the time of the organization of the first state government. Much thought and research has been given to these early experiments in proprietary government and the gradual adaptation of old English institutions and Quaker ideals to the social and economic environment of the new world. These changes and the forces which brought them about are portrayed in the history of the many collisions between the proprietary and the people, organized for the purpose of securing what they esteemed to be their own welfare. The Revolutionary Period—the part which Pennsylvania took in the heroic struggle which the united colonies made against the military power of Great Britain—is also set forth at length.

The second volume is devoted to subjects and matters which the author states could not be well treated in the first without destroying the continuity of the story. This is very fortunate, for we have here a topical discussion of many of the phases of provincial life which are of greatest interest to the student and general reader. The author here abandons the general chronological development of his larger subject and takes up separately such topics as "Religion," "Trade," "Manufacture," "Education and Literature," "Local Government," "Land and Labor," and gives to each a continuity that could not be had in a treatise which attempted to carry on the historical development of the whole. A reading of Dr. Bolles' work will throw new light on many of our present day institutions that could not otherwise be understood—peculiarities in the social and political relations of Pennsylvania and Philadelphia, which are so far out of harmony with the experience of other states that some idea of the original characteristics of our society here is necessary to an understanding of the present. The student of economics also finds much valuable material. Dr. Bolles has, in many instances, gone outside the usual data collected by historians and brought in matters of material and industrial development, which give his subject a bearing on the economic as well as the social and political. We will look forward with interest to the larger history which he has announced. F. A. CLEVELAND.

*University of Pennsylvania.*

*History of the Prudential Life Insurance Company of America (Industrial Insurance), 1875-1900.* By FREDERICK L. HOFFMAN, F. S. S., Statistician of the Company. Newark, N. J.: Prudential Press. Pp. xiii and 338.

The anniversary volumes with their wealth of pictorial ornamentation and biographical data, which railroads, banks, insurance and kindred corporations are wont to issue, rarely call for comment in the pages of scientific journals. They frequently contain, it is true, important data for the economic history of the nation, but it must be sifted from a mass of personal matter which has no interest for the general reader. Mr. Hoffman's work differs so widely from the general run of such publications that we venture to bring it to the attention of economists and sociologists. The author is known by his able discussion of the negro question in the publications of the American Economic Association, and those who are familiar with his writings have learned to expect scholarly work from his pen. Nor will they be disappointed in the present work. With the inevitable limitations imposed by the duty of describing specifically the work of a particular corporation, Mr. Hoffman has produced an authoritative work on industrial insurance, a widely diffused form of thrift, but little known outside of the working classes to which it specifically appeals. Interwoven with the history of the Prudential Company, the pioneer in this form of insurance in the United States, we find a discussion of the principles upon which the business rests, which, until the appearance of the author's promised larger volume on Industrial Insurance, will probably be the most accessible source of information on this important subject. As it is one which has not heretofore been noticed in the ANNALS, I venture to speak somewhat at length of the contents of the work.

To the general reader the introduction in which the general aspects of industrial insurance are set forth, and the concluding chapter which summarizes the experience of the company will be of the greatest interest. But if he seeks a more thorough knowledge of the subject, he cannot afford to overlook the intervening chapters in which the gradual development of the company is traced and where questions of principle are more amply discussed.

What, then, is industrial insurance? Briefly, it is insurance for the industrial masses in amounts and under conditions suited to their economic circumstances. It differs from ordinary life insurance in several important respects. In the first place, the policies are adjusted to the premiums, whereas in ordinary insurance the reverse is the case. In the latter the premium rate for a given age is adjusted to the basis of a policy of \$1,000 as the standard, in the former the



amount of the policy is adjusted to the payment of a definite weekly premium, which may be as low as five cents and which in the Prudential cannot exceed sixty-five cents. In ordinary life insurance payments of premiums are made at the company's offices and are rarely more frequent than quarterly, while in industrial insurance the premiums are collected weekly at the homes of the insured. Again, while ordinary life insurance is generally adult insurance, industrial insurance extends to all ages from one year and upward. Life insurance claims to be at once a protection and an investment; industrial insurance claims to be little more than protection. At its origin it emphasized the fact that the amount of the policy would constitute a burial fund, and this still plays the principal rôle in its arguments, though amounts have been gradually increased so that they will cover the expenses of the last illness and provide, perhaps, a small fund, not for investment, but as a means of supplying the family needs until new sources of income are found.

Before the advent of industrial insurance in the United States various efforts had been made to extend the benefits of insurance to the masses. These generally took the form of associations which collected weekly dues from members and insured them in a regular company. These efforts generally collapsed after a short existence for they could not provide an effective machinery for the collection of the premiums. Concurrently with these institutions there arose a great number of fraternal orders of various sorts which did an insurance business upon the so-called co-operation plan. The record of these well-meaning but misguided efforts is a painful story of failure and distress. Carried on in woeful disregard of the first principles of scientific insurance, their collapse was inevitable, and few have survived the span of a generation. They perished in the pursuit of the phantom of "cheap" insurance, which, as everyone knows, is no insurance at all.

Industrial insurance has been spared the fate of these fatuous enterprises because it has given to the workingman real protection. The primary advantage which it offers him is not cheapness but facility in affecting insurance. It has been characterized as doing an insurance business by retail, and it has been properly stated that its patrons were unable to buy at wholesale and obtain the advantages of such rates. They buy, to follow out the metaphor, in small amounts and by frequent purchases and must submit to the higher prices which this uniformly involves. The industrial companies are purely business institutions, which approach their patrons with no offer of benevolence, but with a strictly business proposition. It might be supposed that the expensiveness of the business would be a bar to the

commercial success of the companies, but it has not proved so. Insurance even at comparatively high rates has been appreciated by the masses as so much better than no insurance at all that it has acquired a widespread popularity.

Mr. Hoffman devotes considerable attention to the controversy over the insurance of children. This form of insurance has frequently been condemned by well meaning persons, who have seen in the insurance of the lives of young children a temptation to child murder. Various legislative inquiries have shown how baseless is the charge, and the fact that the mortality experience of the industrial companies is lower than the general infant mortality would seem to dispose of it at once. None the less, some states have seen fit to pass laws regulating this matter, but in so doing they have only incorporated into law the previous practice of the better companies in limiting to a comparatively small sum the amount of the policies. Through the ignorance of many people as to the methods of industrial insurance, this controversy has had a larger place in the public eye than its importance warrants, but it seems well to mention it here briefly.

If the proof of the pudding is in the eating, the success of the industrial companies should be an indication that they perform a social function of the first importance. Founded in 1875, the Prudential Company had 4,816 policies outstanding December 31, 1876, of an average amount of \$92. On December 31, 1899, its policies numbered 3,406,189 for an aggregate amount of \$389,039,257, or an average of \$114.22. Its premium income from such policies was over fifteen million dollars. The success of industrial insurance prompted the company to enter the field of ordinary life insurance, writing policies for \$500 and upwards. Its policy holders in this field may perhaps be regarded as those who have graduated from the industrial field, but not yet reached the economic conditions cultivated by the ordinary companies, since its policies average \$1,094 against \$2,382 of the ordinary insurance companies reporting to the New York Insurance Department. The table of occupations of adult decedents shows that it reaches all classes in the community.

To the figures here given a statement of the extent of industrial insurance may well be added. (See table page 121.)

Mr. Hoffman furnishes us in the following table an effective contrast of the various provident institutions in the United States at the close of 1899:

11 Industrial Life Companies . . . . .	policy holders, 10,026,422
942 Savings Banks . . . . .	depositors, 5,687,818
58 Ordinary Life Companies . . . . .	policy holders, 2,807,476

With these figures before us and with Mr. Hoffman's careful history

of the Prudential Company and discussion of its principles, we may well concede to him success in his effort to make "it plain to the reader that we have in industrial insurance a form of thrift which no economist or student of social questions can properly or wisely ignore,

## INDUSTRIAL INSURANCE IN THE UNITED STATES, JANUARY 1, 1900.

COMPANIES.	Home Office.	No. of Policies in Force.	Amounts of Industrial Insurance in Force.
Metropolitan . . .	New York, N. Y.	4,855,756	\$688,629,175
Prudential . . .	Newark, N. J. . .	3,406,189	389,039,257
John Hancock . . .	Boston, Mass. . .	1,069,197	141,609,904
Life Ins. Co. of Va.	Richmond, Va. . .	219,679	20,246,656
Sun . . . . .	Louisville, Ky. . .	148,049	16,368,863
West'n and South'n	Cincinnati, O. . .	117,545	10,881,961
Baltimore Mut. Aid.	Baltimore, Md. . .	86,251	5,150,963
Pacific Mutual . . .	San Fran'co, Cal.	61,709	11,779,229
Colonial . . . . .	Jersey City, N. J.	27,697	2,854,075
Mutual . . . . .	Baltimore, Md. . .	21,132	2,304,762
Provident Life . . .	Wheeling, W. Va.	13,238	1,571,510
		10,026,442	\$1,290,436,355

a form of thrift which rather than deserving of that marked degree of indifference which alone explains the paucity of all reference to the entire subject of life insurance in works on economics and social science, is fully worthy of the most careful and thorough study on the part of those who concern themselves with socio-economic questions directly affecting the welfare of the working people of this country."

ROLAND P. FALKNER.

*The Trust Problem.* By JEREMIAH WHIPPLE JENKS, Ph. D. Pp. 279. Price, \$1.00. New York: McClure, Phillips & Co., 1900.

In "The Trust Problem" Professor Jenks has given us an excellent piece of scientific writing. He has confined himself very largely to a presentation of important facts, reserving his judgment until it can be more safely given, telling his reader what is, instead of attempting to determine what ought to be. A summary of the main features of the book will furnish its most satisfactory review. The spirit of the author is set forth in the introduction: "It is hoped that the prejudices which are common to all have not prevented a reasonable degree of fairness in seeing and depicting both sides of this question, the good as well as the evil.

The first chapter contains an analysis of competition. The author combats the notion that it is "free" in anything like the absolute

sense, offering as evidence, the friction of retail trade, the numerous understandings among manufacturers and dealers, and the monopoly of patents, trade marks and large capital. In Chapter II the author continues his line of argument by showing that competitive prices measured from the cost of production as a standard are quite likely to be high prices. The high cost of marketing, including the expenses of advertising, must be added to the cost of production, often increasing prices far above the normal level. Bad debts, which the consumer must pay, useless duplication of plants, a low standard of capacity in salaried employes, insufficient machinery in small plants, all unite, under the competitive system, to increase the cost to the consumer of articles produced under so-called "free" competition. Having put the competitive system in its proper light, the discussion next turns upon the origin of trusts. The advantage of escaping the wastes of competition already described is naturally the first cause. The second is of the nature of special privileges. Under this head the author discusses tariff protection against foreign competition and railway discrimination. He concludes that both of these causes have assisted the formation of trusts, but cautions his readers against exaggerating their importance.

Chapter III contains a discussion of combination and monopoly. The author defines monopoly as meaning "unified control enough to hold competitors well in check, as evidenced by the power to put prices higher than former competitive rates, while still excluding nearly all competitors;" and on the basis of this definition concludes that the trusts controlling as they do the larger part of the output in the industries in which they have been formed, may fairly be considered monopolistic in character, and therefore able to fix prices at such a point as to secure the largest net return without regard to the cost of production. If only 10 or 15 per cent of the productive power in any industry remains outside a trust, but little restraint can be exercised upon the control of prices by the large organization. If the outside producers attempt to undersell the trust, they cannot supply more than a small portion of the market. Although this argument is theoretically sound, yet the experience of the sugar war seems to contradict it. It is difficult for any producer, no matter how powerful he may be, to maintain two prices in the same market. There can be no doubt, however, as to the author's point that as between markets widely separated, local competition can be met and conquered by a trust, while yet the general level of prices is firmly maintained. In Chapter V a most useful piece of work is presented in a careful analysis of the methods of financiering the trusts. The work of the promoter and underwriter is explained, the different securities used

are described, and the evils attending trust financiering are indicated. Some exception may be taken to the discussion on the ground of incompleteness, but in a work of such wide scope, this criticism must weigh lightly. In Chapter VII, the basis of capitalization of the trusts is considered. The author defines in the preceding chapter a certificate of stock as "a receipt for a certain amount of capital paid into a company to enable it to carry on business." This definition hardly accords with his description of the actual basis of capitalization, which he considers to be real or supposed earning power—not implying a transfer of property or services in exchange for more than a portion of the stock issued. This practice, as it is at present carried on, he considers to be socially dangerous, involving frequent deception of the investor, and concealment of real profits from possible competitors, also, in some cases, conceivably inciting directors to keep up prices for the sake of temporary dividends which are designed to call attention to the value of their salable stock, whereas their interest, as managers of an industry, would incline rather to a lower scale of prices, ensuring a sustained prosperity. The remedy indicated by Professor Jenks is publicity. It is to be doubted whether the advocates of publicity have clearly understood the nature of the evil which they seek to amend. In so far as the over-issue of stock results from undue payments to promoters and underwriters, or exaggerated estimates of the previous earning capacity of plants, publicity may serve as a corrective, but so far as new capitalization is based upon estimates of the profits to be derived from an entirely new form of industrial organization, the value of these estimates, and by consequence, the value of the stock, can only be shown by the result. The trust promoter issues stock on the basis of large promises, whose measure of fulfillment only the future can reveal. Publicity, it will be easily seen, cannot perform the rôle of prophesy. Publicity as to present facts is effective; but to the future, it has no application.

In the chapter on organization and management, the author gives a clear statement of the forms of industrial combination in the United States—the "Pool," the "Trust" and the large corporations owning the stocks and plants of numerous other companies. The methods of management, he concludes, give too large discretion to the directors, who have often abused the trust, to gamble in the securities of their corporation, but on the other hand, there is the danger that if too large power of examination be given to stockholders, important business secrets may be revealed to competitors. The weight of this alternative is doubtful. It is deprived of all force by the provision that holders of a certain large amount of stock may have, at all times, full liberty of inspection and criticism.



In Chapter VII a discussion of prices presents the most important results of Professor Jenks' investigations. His object is to determine, by a study of the prices of different articles produced by the trust, whether, as a matter of fact, they have used the power to raise prices above the competitive level which they are supposed to possess. His method is to examine over a series of years the prices of sugar, whiskey, petroleum, tin plate, billets and wire, as typical trust products, and to determine by a comparison between the price of the raw materials and of the finished products, whether the margin of profit has been increased under trust control. On the whole, he concludes, although with many cautions and qualifications which inspire faith in the accuracy of his conclusions, that the prices which he examines are higher under the control of the trusts. A serious defect in this chapter is the complexity of the various charts which are inserted as an aid to comprehension. The intention of these charts is to show the variation of the margin between raw material and finished product over a series of years. Instead, therefore, of representing the various items from which this fact is ascertained, in a complex arrangement difficult of understanding, a more satisfactory method would have placed upon the chart merely the lines representing the margins of differences which would thus be emphasized and clearly distinguished. The arrangement employed in these charts is the more unsuitable in view of the audiences which Professor Jenks aims to address. He has carefully and most considerably omitted the distressing profusion of foot-notes and references which scientific writers advance in evidence of their reputability, and which often make the reader's path through their ring-streaked and speckled pages a rough and stony journey; a reconstruction of these charts appears therefore to be the one thing needful to bring the book fully within the scope and compass of the common mind.

In Chapter IX, the relation of the trust to the wage-earner is considered. The author points out that the larger organization of manufacturing industry has given increased power over the laborers employed in the various plants, for the reason that a strike in one plant can be followed by a transfer of orders to some other, allowing the disaffected employes to remain out indefinitely, without their being able in any way to injure the combination. This result of the trust, however, Professor Jenks considers to be a temporary evil, since he is inclined to believe that the larger organization of labor to meet the advantage of capital will follow, enabling the workingman to claim a large share of the fund available for wages or profits which the economies of the trust have created.

Under the heading, "Political and Social Effects," special attention

is given to the charge so often brought against the trusts that they stifle enterprise and bar the door of opportunity against the ingenious and energetic who are well fitted to succeed as independent producers. The author admits the qualified truth of this charge, and notes especially the growth and prevalence of nepotism in large corporations, but he offers as a compensation the elimination of the unfit from independent business activity. Many men enter business who are entirely unfitted for self-direction and society is at the expense of supporting these incapables often for considerable periods, weeding them out only by the drastic and purging processes of panic and liquidation. By placing the direction of industry in the hands of the more capable, business is made more stable and mistakes more uncommon. A suggestive passage attempts to show the growing dependence of every member of society, beginning with the highest, upon his fellow-men. Social complexity means increased responsibility, and the relation of subordination, now well nigh universal, does not preclude the exercise of the greatest initiative and skill. Professor Jenks might have gone further and shown how futile and barren of all social good are the methods by which most business success is achieved, and how great a blessing to society will prove a general organization of industry which will turn the world's brain power from finance, which means competition to industry, which means social welfare.

In the final chapter the discussion is summarized and a few tentative remedies are suggested, *i. e.*, increased power to be conferred upon the interstate commerce commission, amendment of the patent law to throw open the use of every patent on payment of a royalty to the inventor; reduction of duties, always, however, with the fear of international combination in mind, and above everything else, publicity for the consumer, the wage-earner, the possible competitor and the investor. These remedies are cautiously advanced, and the final word of the author to those who would reform the trusts is to make haste slowly, and to understand the question better before attempting to deal with it on a large scale. A valuable aid to a better understanding of the trust problem is this fair, deliberate, cautious and exhaustive discussion, which should serve as a model to all those who write on present day problems and who are so often misled by their faulty perspective.

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*Government or Human Evolution. Justice.* By EDMOND KELLY, M. A., F. G. S. Pp. xv, 360. Price, \$1.50. New York: Longmans, Green & Co., 1900.

This book follows the method of contrasts, a method which accords

well with its controversial character. Its object is practically controversial rather than theoretically polemic, the primary motive being to win men to action rather than to settle or unsettle articles of scientific faith. The animus of the book flows from differences among municipal reformers. A few years ago the city of New York found itself possessed of a City Club, supposedly containing the best and most public spirited men in the city, and various Good Government Clubs, affiliated with the City Club, but spread throughout the city and intended to comprise a more popular membership. To make a long story short, the movement implied in this organization as a whole failed of practical result because of the half-heartedness or absolute opposition to action manifested by the City Club. This body defended its attitude on the ground of a supposed doctrine of *laissez faire*. Mr. Kelly's book is devoted to a discussion of the attitude which should be assumed by such organizations and the philosophical reasons for such an attitude.

It is evident that the City Club cannot defend its passive attitude on the ground of *laissez faire*, for the simple reason that *laissez faire* is not a doctrine of passivity. That it is widely understood to be such by non-economic writers and speakers is an unfortunate fact and one that causes a deal of wasted rhetoric. The maxim arose from the practical observation that legislation only too frequently hinders individual enterprise; the doctrine simply formulates a prohibition upon interference with enterprise. How such a formula could be twisted into a defence of passivity is a problem for the psychology of the abnormal. The misinterpretation may partly be grounded in mis-translation, and the latter is probably the unconscious offspring of that incurable attitude of mind which sees a cure-all in legislation. The popular philosophy holds that nothing is being done if it is not done *en masse*, by edict and proclamation. The untrained mind is unable to watch the growth of a plant; it is affected only by cataclysms, earthquakes, meteors, and the like. To this primitive inability to differentiate is to be traced the popular philosophy of government as occupying the whole field of social action, and Mr. Kelly has unfortunately added his mite to augment this widespread socialistic error. The popular materialistic mind is awestruck by the very penumbra of a democratic statute or a royal proclamation, but is purblind to the effective social laws of the human mind.

Instead of criticising the erroneous nature of the interpretation of *laissez faire* made by the members of the City Club, Mr. Kelly falls in with that interpretation and denies the truth of the whole doctrine. He then attempts to find the philosophic ground for man's activity in general. In doing so he does not hold fast to his first interpretation

of *laissez faire*, but argues also in favor of specific legislative interference (pp. 272, 297, 337). He further states that human effort should pre-eminently follow legislative channels.

With this looseness of argument falls in naturally a corresponding looseness in the definition of government. Instead of regarding government in the usual way as an instrument of defined powers and duties, he assumes that it is the instrument of all positive social effort. Government is the maker of all artificial environment (p. 40). Government is social control consciously set up (p. 267). Progress is due to governmental action as shown by ancient history (pp. 208-9).

As remarked, the book proceeds on the method of contrasts. It is consequently open to all the objections which may be raised against that method. Conscious effort is defended or justified by showing that it is a characteristic of human evolution *as opposed* to organic evolution. But does conscious effort need justification, defence, or proof? The attempt is to prove that the members of the City Club should *act*, and the proof is that human societies advance by action and effort, *whereas* organisms advance by selfish and destructive evolution. But wherefore this "whereas?" Does it help the proof of human effort? This method of reasoning may be set down as antiquated. The method of contrasts too often falls into this rut of negative inference. The author's object would evidently have been much better attained by the adoption of the modern method of continuity. Had he only shown that effort is inherent in *all* progress and that the phenomenon of human consciousness appears through infinitesimal differentiation out of and away from the lowest organisms, his argument would have been more sound and conclusive. Effort would then be proved to be necessary to progress because it is universal in progress. This surely is a stronger argument than the attempt to prove its necessity by its limitation to the human stage of evolution. It may be noted that a fundamental phase of thought which has misled Mr. Kelly into the confusing method of contrasts is a predilection for a rather pronounced type of the doctrine of free-will. Not finding free-will in the less advanced forms of life, he assumes that it must exist in the more advanced, and hence falls into the method of contrasts, at divers points in his book making long lists of contrasted relations with reference to human and organic evolution (*cf.* p. 295).

While this book carries an air and animus of practical controversy, it follows in many respects the method of scientific exposition. A fundamental definition is given at the beginning which contains the terms most apt to further the arguments that follow. Evidently it is upon the interpretation of the term "natural" that these arguments are to depend. After a very interesting disquisition on the use of this term

in literature, our author comes to the conclusion that it best serves his purpose to exclude from the term whatever pertains to human effort. This use of the term is harmonious with the author's views as to free-will and as to the logic of contrasts, already noticed. If, on the other hand, he had chosen to proceed by what seems to be the preferable method of continuity, he would have allowed no exception to the logical extent of the term. It is possible that the author's use of the term comes closer to its popular use; but it must be remembered that the author's method of reasoning comes closer to the popular method. That alone is natural, according to Mr. Kelly, which characterizes those forms inferior to man. We shall see whither this definition leads.

Although Mr. Kelly declares his intention to stick to "facts" alone, he dwells constantly on the injustice of nature (pp. 288, 309); justice is defined as the effort to protect the individual from natural laws (p. 301); justice is the struggle of morality against sin, sin, of course, being characteristic of natural laws, and morality of non-natural human evolution (p. 323); we should study nature and then decline to follow her (p. 215) (although our author does, in places, admit that man must study natural laws in order to find which are inevitable and which can be successfully overcome) (pp. 305, 329, 332, 349); in fact, human evolution bears a remarkable resemblance to natural evolution (p. 170); when genius is not appreciated, it is the fault of nature (pp. 217-218); industry is natural and hence hostile to progress (p. 221); the evolution of the horse from its primitive ancestor resembles that of the locomotive from the wheelbarrow merely in so far as organic analogy is concerned (p. 241); the philosophy of effort begins to apply where organisms cease (p. 244); organisms are always opposed by wisdom (pp. 270-97).

Our author's method naturally leads to the conclusion that there is a natural and a non-natural environment. Just as human effort is non-natural, so is the "artificial" environment created by human effort also non-natural. The result of this handling of the subject must be that soon after we have passed the point in the scale of evolution (wherever it may be) where our author concludes to signalize the entrance of effort into the arena of progress, the environment becomes rapidly non-natural. The thinking and acting subject is himself, of course, non-natural, and the whole world that interests us is, therefore, non-natural. The higher we progress the further we separate ourselves from nature.

Mr. Kelly concludes that justice consists in the attempt to create the best artificial or non-natural environment (pp. 359-60). Such an environment is to be recognized from its conducing to man's happi-



ness (p. 333); and, again, happiness is to be induced by creating an environment favorable to morality (p. 335). But, after all, are these ideals so easily created? Is morality a cause of ideas without being an effect of circumstances? It seems as though Mr. Kelly should openly declare himself an intuitionist. Man and his environment are both of them arbitrary, non-natural, and, in fact, supernatural. The moral motive being the cause of everything, no cause is left for it. Lacking efficient cause, it also lacks final cause. There is no incentive to being moral if nothing is to be gained by morality outside of morality itself. A morality that is caused by nothing, that leads to nothing, and that is related to nothing not caused by itself, is a very uninteresting conception.

It would seem simpler and it would involve less circuitous reasoning, were we to make the assumption of continuous progress from a materialistic to a psychic state. At each stage of progress the past experiences would have tended to modify the environment and to form a part thereof. The future would be open to new adjustments stimulated by force (coming from the sun, if you please, and registered upon the sentient brain). Thus at every stage there would be a relatively psychic future, *i. e.*, open to modification by man, and there would be a relatively materialistic past. From the point of view of the individual, these stages might well be regarded according to Professor Simon N. Patten<sup>1</sup> as a series of partially fixed environments, each "wider" and better adapted to psychic life than its predecessor. This suggestion is offered in all humility and with some recognition of the difficulties of the problem involved and also of the obligations of the critic.

However, the method suggested offers no consolation to the members of the City Club. Whether they interpret *laissez faire* rightly or wrongly, progress does take place by effort. Mr. Kelly's book is thoroughly readable, and will be welcomed by those who desire to brush up biological analogies in connection with political and economic studies.

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*Studies in the Politics of Aristotle and the Republic of Plato.* By ISAAC ALTHAUS LOOS, Professor of Political Science. Bulletin of the University of Iowa: Studies in Sociology, Economics, Politics and History, Vol. I. Pp. 296. Price, \$1.00. The University Press, 1899.

In this volume Professor Loos has embodied a sort of abridgment

<sup>1</sup> "Theory of Social Forces."

of the two works named in the title, with special reference to the more purely political and sociological doctrines contained in them. The bulk of the work is a combined summary and paraphrase of the Greek philosophers' texts, on the lines of Jowett's familiar work, from which much of the matter is taken. The purpose of Professor Loos in putting forth such a volume is, in his own words, to do "for the social and political philosophy of Aristotle and Plato what has long since been repeatedly done for their psychology and metaphysics, namely, to expound their leading conceptions on social subjects in systematic form, and by the aid of a modern terminology to bring them within the comprehension of readers unskilled in Greek dialectic or characteristic modes of Greek thought."

That this excellent purpose is wholly achieved, I am inclined to think is a little doubtful. The author shows that he is a thorough and sympathetic student of Aristotle and Plato, as well as an adept in contemporary political and social science. But the form in which he has cast his studies does not seem well adapted to clarify the thought of the Greek philosophers or to make it more intelligible than it has been made by the translations of Jowett and Welldon which are so freely drawn upon. The general effect of the work is rather disjointed, and in many places the reader is kept in a state of constant tension to determine whether the thought before him is that of Aristotle or Plato or of Professor Loos. It would probably be no rash conjecture to surmise that Professor Loos has printed some lecture notes, without an opportunity to give them the radical overhauling that is necessary in order to compensate for the absence of oral commentary.

In dealing with Aristotle, the author ventures to ascribe to the Greek philosopher a "theory of administration," which is found embodied in a number of scattered parts of "The Politics." That Professor Loos does a useful thing in grouping these various passages under a single suggestive head is unquestionable, but that Aristotle formed a conception of "administration" in any sense resembling that of the technical term of modern science, cannot, of course, be held for a moment. Indeed, it is very uncertain what the precise scientific connotation of the term is to-day; certainly the sense in which Professor Loos uses it is quite distinct from that employed by Professor Goodnow in his recent work on "Politics and Administration." In one respect, however, the grouping of Aristotelian ideas adopted by Professor Loos is admirable, though it interferes sadly with venerable custom. The famous "Theory of Revolutions," which has always stood complete and alone in every analysis of "The Politics," is made a mere incident of the "theory of administration,"

appearing under the caption: "Causes of Failure in Administration." This innovation, shocking as it is to the sensibilities of those who know their Aristotle on the old lines, is nevertheless quite justifiable. For what Professor Loos says is strictly true: "These causes of revolution as sketched by Aristotle are . . . chiefly, though not exclusively administrative."

It is unfortunate that the proof reading should have contributed much to obscure the thought of both the Greeks and the American. One can easily see that the suspiciously modern "Horner," whom Aristotle is made to quote (p. 122), is merely the printer's version of "Homer;" but it is not so easy to understand what is meant by this sentence on the same page: "That man is a political animal that is a social animal in a fuller sense than any tree or gregarious animal is evident from another line of reasoning . . .;" and "seditious and political resolutions" (p. 115) is a dangerously plausible substitute for "seditions and political revolutions." There are very many similar errors in the book.

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*Colonial Civil Service.* By A. LAWRENCE LOWELL. With an Account of the East India College at Haileybury, 1806-1857. By H. MORSE STEPHENS. Pp. 346. Price, \$1.50. New York: The Macmillan Company, 1900.

Professor Lowell has given us a most interesting and timely discussion of the methods of choosing and training colonial officials in England, Holland and France. We Americans are not inclined, as a rule, to seek political instruction from other countries, but the colonial question, or rather the colonial questions, are so new to us and the experience of other countries along these lines so interesting, that Professor Lowell's work may be read with profit by all those who are anxious to see an efficient administration established in our new territories. In his introduction the author dwells at considerable length upon the necessity for a special and distinct colonial service, separate from the home organization. The qualifications necessary for a civil service in tropical or Asiatic colonies are, he declares, quite different from those required for the home service. In the colonies special training is required; familiarity with the language, the customs and habits of thought of the people and the peculiar economic and social conditions of the country are necessary. ". . . Oriental and Western civilizations are so different that years must pass before an official becomes thoroughly efficient; and no man of parts will undertake those years of preparation if he is liable to be thrown back on the

world to start life all over again after he has proved himself a valuable public servant. The colonial civil service must therefore be a lifelong career." The author takes up in succession the countries named above and describes in some detail the preparation required of candidates for the colonial service in each country.

The English entrance examinations for all higher branches of the service are about the same. Some distinction is made between different divisions of the service, for example, the Indian service, the Oriental service, etc., but the qualifications are substantially similar. There is an open competitive examination held in August at London by the Civil Service Commission. Candidates are given a wide choice of the subjects in which they shall be examined, a certain relative weight or importance attaching to each subject. The subjects which may be chosen are *not* those which bear upon the work of the office to be filled but those which possess a general educational value. The English consider it essential that the civil official in the colonies should be a "gentleman." It is also sought to attract university graduates. In these respects the English civil service examinations are distinctive. The American reader of Professor Lowell's book will be especially struck by the fact that the English do not place emphasis upon those examination subjects which in America would be called "practical." Among the most important studies covered by the examination are English Composition, Sanskrit, Arabic, Greek, Latin, English Literature, French, German, Mathematics (Elementary and Advanced), Natural Science, History, Political Economy, Political Science, Roman Law and English Law. The papers are severely marked and an average of 66 per cent is considered quite high. It is important to note that the number of natives applying for the East Indian examinations is exceedingly small. On an average only four or five per year pass the examinations. Those candidates who have been successful in the examination then enter upon a year of probation, usually in England. During this time they begin the special and practical preparation for their particular duties in the colonies. The government makes an appropriation of £100 to those candidates who spend the probationary period at one of the British universities. The universities on their part give special attention to the training of these probationers. At the end of a year the final examination is held, which covers the following subjects:

COMPULSORY.

1. The Indian Penal Code and Criminal Procedure Code.
2. The Principal Vernacular Language of the Province to which the Candidate is Assigned.
3. The Indian Evidence Act and the Indian Contract Act.

## OPTIONAL.

(Not more than two of the following subjects, of which one must be either the Code of Civil Procedure or Hindu and Mohammedan Law. Candidates offering one subject only are restricted to a choice between the two Law subjects specified.)

1. The Code of Civil Procedure.
2. Hindu and Mohammedan Law.
3. Sanskrit.
4. Arabic.
5. Persian.
6. History of British India.
7. Chinese (for candidates assigned to the Province of Burma only).

After this training candidates are definitely appointed to the district and begin a practical apprenticeship in the actual duties of their respective offices. The officials thus chosen make up the higher but not the highest grades of the service. The lower ranks are usually left to natives while the highest positions are political appointments.

In addition to the above there is a special training for certain special branches of the service, for example, forestry, engineering, post and telegraph service, etc. The outline given above applies with slight modifications to the Indian service, the Eastern Cadets, including the service in the Strait settlements, Ceylon, Malay Peninsula, etc. These are the only branches of the colonial service recruited by open competition. The self-governing colonies—Canada, Cape Colony, Australia—appoint their own officials, according to their own regulations. In the Crown colonies the extent of the service is not great enough to warrant separate regulations, and in some cases, for example, in the West Indies natives fill the positions, while in Africa the British possessions are mostly protectorates or are ruled by chartered companies.

In Holland the general service is divided into two main branches, executive and judicial. The executive officials are prepared at the East Indian School at Delft, the judicial officers at the University of Leyden. The Dutch training differs from the English in being considerably more specialized. Nominally, the colonial examinations are open to all, but in practice only those who have prepared at the schools named above can pass the examination. The examinations are quite practical in character. Instead of giving a general examination upon a wide series of subjects before the commencement of special training for the office, the Dutch place this examination after the training. The result is unsatisfactory, according to Professor Lowell, and a Dutch commission, which was recently appointed to investigate methods of training for the colonial service, has reported in favor of what is virtually the English system. As in England, so in Holland,



special branches of the service of a technical nature are recruited by means of special examinations. The system outlined above applies only to the Dutch East Indies, the other Dutch colonies being comparatively insignificant.

In France admission to the colonial school is determined by competitive examination. There is a preparatory course of one year leading to this entrance examination, while the course in the school itself is two years in length, making a total of three years. The school is divided into sections with different courses, according to the colonies for whose service the student is preparing. Owing to the exigencies of French politics the school furnishes only a part of the colonial officials of the country. The proportion which it furnishes has been in some cases fixed by decree. Unfortunately the French methods have not been in operation for a sufficiently long time to permit of a decision on their practical value.

The author concludes his work with a discussion of the needs of the United States in establishing a colonial civil service. He is convinced that the experience of Holland and England shows: "First, that the men selected for the service should have a high general education, in fact as high a general education as it is possible to give; second, that the selection should not be based in any way upon the special preparation of the candidates for the colonial work, but should be made before that special preparation takes place; and third, that a great deal of special preparation is not needed before the selected candidates are sent to the East to begin their active apprenticeship upon the spot."

The English system, the author adds, cannot be adopted here, because of the widespread aversion to preserving positions for college graduates. Professor Lowell, therefore, advocates the establishment of a special colonial school, under government control, with a four-year course of instruction leading directly to a colonial appointment.

As an appendix to the work, Professor Morse Stephens has written a description of the East Indian College at Haileybury, which formerly trained candidates for the service of the East Indian Company. Professor Lowell's conclusions are in the main favorable to the establishment of such a college. He says that the chief advantages of such a college as Haileybury "are not so much in the actual instruction afforded, as in the association together of young men intended for a career in common, in which they specially need the traditions of a noble service, while laboring side by side for the promotion of the welfare of the peoples of the East."

Professor Lowell's conclusions will be accepted by most Americans in view of the peculiar difficulties encountered by civil service officials

engaged in colonial administration. The appointments to the American colonial service thus far have fortunately been of such a character as to start our colonial enterprises under the most favorable conditions, but after military control of our possessions is withdrawn it will be necessary to establish some permanent system of training for this peculiar branch of the civil service. It is hard to see how even the most violent opponents of the civil service system can be opposed to such special training as that given at West Point and at Annapolis, and, if it be granted that the government of colonies presents peculiar questions for solution by the government official, it must also be admitted that special qualifications should be required for appointment to this branch of the government service also. Professor Lowell's contention, briefly summarized, is that these special qualifications can only be acquired as a result of long training, and that this training can be most readily given in a special school. The entrance examinations at West Point and Annapolis cover mainly those subjects which are of a general educational rather than an immediate practical value, so that a similar character might well be given the examinations for entrance to the Colonial School.

JAMES T. YOUNG.

*Supplement to the Nouveau Dictionnaire de Géographie Universelle.* 2 vols. Price 44f. Librairie Hachette et Cie. Paris, 1900.

*The International Geography.* By Seventy Authors, with 488 illustrations. Edited by HUGH ROBERT MILL, D. Sc. Pp. xx, 1088. Price, \$3.50. New York: D. Appleton & Co., 1900.

The supplement to the "Nouveau Dictionnaire de Géographie Universelle" is now complete, and the publishers have brought to a successful termination the monumental task which they began a score of years ago. In 1894, the seventh and last volume of the main body of the work was published, the first volume having appeared nearly a decade earlier. The main features and importance of the dictionary were noticed in the review published in the *ANNALS*, Volume VIII, pages 188-190.

It had taken so many years to bring out the main body of the work that the publishers felt it necessary, immediately upon the completion of the seven volumes, to begin the preparation of the supplement. When they undertook the supplement it was supposed by them that the material for it could be kept within the limits of a single large volume, and that this volume could be finished within two years. However, as the work on the supplement progressed, it was found that two large volumes would be required, and it was not until 1900 that these two volumes were completed. This delay of four years in the completion of the supplement has been an advantage rather than

otherwise, because it has enabled the authors and publishers of the supplement to deal with the numerous recent important changes that have taken place in the political geography of the world and has permitted them to present in a satisfactory way the considerable additions to geographical knowledge that have been made during the past five years. The articles on such regions as the Soudan, the Philippines, Indo-China, and even the Transvaal, are thoroughly up to date.

The general purpose of the supplement is to present only such information in regard to the various places discussed as was necessary in order to bring the articles in the main body of the work down to date. In the articles contained in the supplement the same general plan of treatment has been followed that was adopted for the original work, and with very satisfactory results. The supplement and the original volumes constitute a comprehensive work of solid merit, and the publishers and the public generally are to be congratulated upon the successful termination of this most valuable dictionary.

When "The International Geography" was announced, teachers and general readers of geography were much interested; but not a few persons felt that the difficulties in the way of the construction of a satisfactory general treatise on the geography of all the world were so great that the chances for failure were quite equal to the prospects of success. The work, however, must be voted a genuine success. The editor has succeeded in securing the co-operation of an unusually large number of eminent specialists, and he has edited their various contributions with discrimination.

The book is divided into two general parts, the first 122 pages being given to a rather brief discussion of the principles of geography. Part two deals with the geography of the continents and countries, a chapter of the book being devoted to a description of the polar regions.

So many well-known writers have contributed to the volume, that it seems almost invidious to make special mention of any individuals; nevertheless, for purposes of illustration, the fact may be mentioned that the continent of Europe and the Chinese Empire are treated by Chisholm; political and applied geography are discussed by J. Scott Keltie; Professor Kirchoff, of the University of Halle, contributes the article on the German Empire; explorer Nansen writes on the Arctic regions; the continent of North America and the United States are treated by Professor Davis of Harvard University. The scholarly character of all of Professor Davis' work is such as to give assurance that his contribution to this volume would be of a high order of merit. The editor was liberal in the amount of space granted to Professor Davis, and sixty-four pages are devoted to the discussion of the United States. After giving a brief résumé of the

historical and political geography of the United States, Professor Davis takes up regional geography, dividing the country into those physiographical divisions which he has adopted in former writings.

Persons teaching geography to high school and college classes, will find this work an excellent one for the students to use as collateral reading, and doubtless a systematic teacher of advanced political geography may make this a successful college text-book. The success of the college teacher will, in this case, depend upon his ability to unify and vivify his work. The volume will find an appropriate place in the library of every general reader of geography.

EMORY R. JOHNSON.

*Washington, D. C.*

## NOTES ON MUNICIPAL GOVERNMENT.

### AMERICAN CITIES.

**Boston.**—*Amalgamation.* The recent census has brought to the fore in many congested regions the question of amalgamation and administrative reorganization. The question is discussed in the following notes from various cities. While there has been a very general movement toward concentration of power where congestion of population exists, Boston and its populous suburbs have hitherto resisted the temptation to sacrifice individuality in exchange for a higher rank in the population column or for the possible administrative advantages. The problems presented, however, have demanded some co-operation. The state has attempted to solve the difficulties by the appointment of metropolitan commissions. Mayor Hart of Boston has kindly discussed in the following brief note to the editor the question of amalgamation from the standpoint of Boston's interest:

MAYOR'S OFFICE,

BOSTON, MASS., September 11, 1900.

DEAR SIR: The interest shown in our metropolitan areas (those for postal, water, sewer, park work are not alike) is not general, I think. Now that bills fall due, the friends of metropolitan arrangements are likely to grow less.

Your question, why Boston does not annex Cambridge, Somerville, etc., is easily answered: Our history of such annexations proves that Boston proper is taxed to give suburbs more than they pay for. Boston has annexed Brighton, Dorchester, West Roxbury, etc. You can compute what they pay and what they cost the city treasury. Brookline does not wish to be annexed, because it is rich, and not anxious to be taxed for poor wards.

Our metropolitan commissions (police, water, sewer, park) are apparently an anomaly. Their power they derive from the state, which does not pay the bills, and cannot be said to exercise supervision. Such commissions are theoretically a violation of home rule; in practice, American cities are under the absolute control of state authority, and our metropolitan commissions here owe their existence in law to the fact stated. It is right to add that our metropolitan commissions have conducted themselves very well.

The mischief in city government is largely due to the fact that cities have so very few rights which the state is bound to respect. Perhaps it is a mistake to enlarge these dependent communities. Experience can hardly be said to justify the artificial combination of such



unwieldy communities as greater New York or metropolitan Boston. Municipal Boston is rather large for many purposes. How one man can manage our street department, for instance, is not quite clear.

Personally, I have no wish to annex Cambridge or Somerville, and I trust that our metropolitan commissions may cease. I wish the legislature would make general laws only, and I desire that every municipal corporation manage its own affairs and take the consequences. Congress cannot govern states; states cannot govern cities.

Very truly yours,

THOMAS N. HART.

**Buffalo.**—*Amalgamation.* There are no "populous suburbs" which seek annexation to Buffalo, and the subject is only occasionally mentioned in our papers. I suppose one reason why there is little interest in the matter is the fact that there is a vast quantity of unoccupied land in the present city limits—almost enough, I should think, to contain double our present population, without overcrowding; and most of it, too, is eligible for residence purposes, needing only rapid communication with the business centre to become popular for that purpose. We do not need to enlarge our boundaries at present, and there is no movement in that direction.

*Voting Machines.*<sup>1</sup> Buffalo will use its voting machines in the coming election. They have been shipped to Rochester to receive certain improvements which the company, under its contract, is bound to furnish the city free of charge. One of them is numbering the points of the indicators so as to reduce the chance of the voters making a mistake when "splitting."

Voting machines are to be used in the following places: Rochester, Utica, Ithaca, Elmira, Poughkeepsie, Auburn, Oswego, Rome, Gloversville, Johnstown, Hudson, Glen's Falls, Batavia, LeRoy, Shelby, Medina, Middleport, Gasport, Royalton, Pittsford, Winfield, Canisteo, Albion, Niagara Falls, Syracuse and Jamestown.

**Pittsburg.**—*Amalgamation.* The area and population under the jurisdiction of the municipal corporation is but a small part of the community designated as Pittsburg. The municipal area lies on both sides of the Monongahela River, but is bounded by the Allegheny River on the north, and the area north of that river is under a distinct municipal corporation—Allegheny City. In every other respect Allegheny City is an integral part of the community. There is not a street car line in Allegheny City that does not run into Pittsburg. The same is true of McKeesport, southeast of Pittsburg on the Monon-

<sup>1</sup> Communication of A. C. Richardson, Esq., Buffalo, N. Y.

gahela River. It is essentially an integral part of the community, but it has a city charter of its own. Adjacent to Pittsburg are various boroughs, whose territory is traversed by the Pittsburg street railway system, but although there is no perceptible demarcation in streets and buildings they have their distinct frame of government. But the residents of such boroughs regard themselves as Pittsburgers and designate themselves as such when registering at hotels.

The law of Pennsylvania brings the entire population of the state under county government, and provides facilities by which any local centre of population can obtain from the courts a township or a borough charter as its population may warrant. When its population reaches a certain limit it becomes subject to the general law of municipal incorporation and becomes a city of the third class. Further increase of population to a certain number makes it a city of the second class. The population requirement for a city of the first-class is such that it can be satisfied by Philadelphia alone. Both Pittsburg and Allegheny are cities of the second-class, and McKeesport is a city of the third-class.

Both Pittsburg and Allegheny have grown by accretion of boroughs, but the tendency seems to have been arrested, and under existing laws it is not difficult to obstruct an annexation movement. Over five years ago an effort was made to bring the community in its entirety under one municipal jurisdiction. Greater Pittsburg, as thus delineated comprised three cities, forty-four boroughs and twenty-seven townships. The population of this area is 722,129 while that of corporate Pittsburg is only 321,616. At present Pittsburg stands thirteenth in the list of cities by population. Greater Pittsburg would stand in seventh place. Its commercial rank, as indicated by bank clearings, is already that of sixth place, being ahead of Baltimore and close to St. Louis. The area of corporate Pittsburg is 28.392 square miles; that of Greater Pittsburg is 316.22 square miles, not quite half Allegheny County, the area of which is nearly 700 square miles.

The greater Pittsburg movement resulted in the passage of the Act of May 8, 1895, providing that an election on the question of annexation could be held on the petition of five per cent of the qualified voters in the district which it was proposed to annex. Soon after the movement sustained a fatal check by the breaking out of a faction war in the Republican state party organization. The Pittsburg politicians were afraid to complicate the faction struggle with the annexation issue, and procured the passage of the Act of May 25, 1897, which repeals the annexation act of 1895. The law as it now stands makes no provision for the annexation of cities, and proceedings for the annexation of a township or borough may be begun only on the

application of three-fifths of all the taxable inhabitants of said district. At present it cannot be said that there is a strong sentiment in favor of annexation. So far as streets and lighting and street railways are concerned, they are virtually parts of the city. Pittsburg pumps its water supply from the Allegheny River, which is very subject to pollution, and typhoid fever is prevalent, so that there is at present no inducement towards annexation on that score. Pittsburg is now putting in a filtering plant, and when the benefits of pure water are realized advantages of annexation may be more attractive. The educational advantages to be gained would be simply those of free access to the Pittsburg high schools. As regards lower schools, each school district is a governmental unit, electing school directors and levying school taxes, so that annexation would make no change in this respect. Some of the local aggregates of population feel that their needs can be better provided for under a borough form of government controlled by themselves than under the general jurisdiction of Pittsburg municipal government in which their proportionate representation would be small. Annexation sentiment is strongest in Allegheny City, whose government is not so satisfactory as that of Pittsburg, although carried on under the same charter provisions.

The following table comprehends the various districts included in the area of greater Pittsburg—the population figures being based on the census of 1900, so far as known, and in lieu of official figures upon the best obtainable estimates:

	Popula- tion.	Area sq. mile.	Assessed value.	Tax rate.
<b>CITIES.</b>				
Pittsburg . . . . .	321,616	28.392	\$321,696,550	<sup>1</sup> / <sub>19</sub>
Allegheny . . . . .	129,896	8.00	82,582,800	<sup>1</sup> / <sub>15.5</sub>
McKeesport . . . . .	34,227	5.00	16,324,825	<sup>8</sup> / <sub>19</sub>
<b>BOROUGHES.</b>				
Aspinwall . . . . .	1,231	0.25	864,945	16
Avalon . . . . .	2,130	0.44	1,518,910	19
Braddock . . . . .	15,904	0.46	5,674,955	20
Ben Avon . . . . .	848	0.33	841,385	19
Bellevue . . . . .	3,510	1.03	2,802,975	17 <sup>1</sup> / <sub>2</sub>
Carnegie . . . . .	7,332	1.01	3,101,285	17 <sup>1</sup> / <sub>2</sub>
Crafton . . . . .	1,924	0.58	1,652,483	12 <sup>1</sup> / <sub>2</sub>
Coraopolis . . . . .	2,555	0.72	1,465,255	20
Duquesne . . . . .	9,036	1.13	3,847,250	20
Etna . . . . .	5,385	0.62	2,118,658	17
Emsworth . . . . .	960	0.58	618,560	<sup>2</sup> / <sub>10</sub>

	Popula- tion.	Area sq. mile.	Assessed value.	Tax rate.
Elizabeth . . . . .	1,865	0.35	691,705	21
Elliott . . . . .	3,143	0.28	1,153,000	<sup>2</sup> 12
East Pittsburg . . . . .	2,577	0.35	1,456,770	18 <sup>1</sup> / <sub>4</sub>
Edgewood . . . . .	1,027	0.47	1,535,430	19
East McKeesport . . . . .	883	0.322	322,925	17
Esplen . . . . .	2,386	0.22	810,450	16 <sup>1</sup> / <sub>2</sub>
Glenfield . . . . .	905	0.975	375,635	14 <sup>3</sup> / <sub>4</sub>
Green Tree . . . . .	636	2.51	590,880	12 <sup>1</sup> / <sub>2</sub>
Homestead . . . . .	16,269	1.21	5,001,645	20
Knoxville . . . . .	3,483	0.16	1,688,985	13 <sup>1</sup> / <sub>2</sub>
Millvale . . . . .	6,841	0.57	2,201,630	<sup>2</sup> 10
Montooth . . . . .	895	0.132	198,705	21
Mt. Oliver . . . . .	2,301	0.16	663,015	16
McKees Rocks . . . . .	6,505	0.87	2,556,925	29 <sup>1</sup> / <sub>2</sub>
North Braddock . . . . .	6,722	1.49	4,722,105	18
Osborne . . . . .	400	0.40	431,035	10
Oakdale . . . . .	1,147	0.49	409,545	<sup>2</sup> 12
Oakmont . . . . .	2,317	0.55	1,893,475	17 3-10
Port Vue . . . . .	1,797	2.45	944,890	7 <sup>1</sup> / <sub>2</sub>
Pitcairn . . . . .	2,555	0.30	838,340	18 3-5
Rankin . . . . .	3,950	0.49	1,877,290	19
Sewickley . . . . .	3,548	0.77	3,234,435	16
Swissvale . . . . .	1,672	1.24	1,609,745	13
Sharpsburg . . . . .	7,544	0.67	3,192,535	13 <sup>1</sup> / <sub>2</sub>
Spring Garden . . . . .	1,015	0.18	374,050	9 <sup>3</sup> / <sub>4</sub>
Sheraden . . . . .	2,786	0.86	1,708,740	15 <sup>1</sup> / <sub>2</sub>
Turtle Creek . . . . .	2,574	0.57	2,071,890	19 <sup>1</sup> / <sub>2</sub>
Tarentum . . . . .	5,472	0.76	1,758,105	19 <sup>1</sup> / <sub>2</sub>
Verona . . . . .	1,899	0.98	787,035	22
Versailles . . . . .	852	0.44	340,100	17
West Liberty . . . . .	1,281	2.28	450,625	21
Wilmerding . . . . .	4,353	0.26	1,965,675	26
Wilkinsburg . . . . .	11,297	1.16	8,907,450	15 2-5
TOWNSHIPS.				
Aleppo . . . . .	623	3.19	246,745	9
Baldwin . . . . .	8,126	17.77	3,341,605	.
Braddock . . . . .	353	2.92	329,860	10
Chartiers . . . . .	3,115	2.57	2,493,965	9 <sup>1</sup> / <sub>2</sub>
East Deer . . . . .	1,952	12.91	934,675	6 <sup>1</sup> / <sub>4</sub>
Harmar . . . . .	772	7.28	52,735	7 <sup>1</sup> / <sub>2</sub>
Harrison . . . . .	6,166	7.28	1,800,340	.
Killbuck . . . . .	1,205	2.84	224,035	10
Leet . . . . .	1,912	5.44	1,820,985	11 <sup>1</sup> / <sub>4</sub>
Lower St. Clair . . . . .	4,382	1.03	1,356,090	7 <sup>1</sup> / <sub>4</sub>
Mifflin . . . . .	8,504	23.83	5,880,850	9 <sup>1</sup> / <sub>2</sub>
Neville . . . . .	758	1.88	664,070	5 <sup>1</sup> / <sub>2</sub>
North Versailles . . . . .	4,763	9.74	1,640,575	10 <sup>1</sup> / <sub>2</sub>
O'Hara . . . . .	2,079	10.52	1,740,425	5 <sup>1</sup> / <sub>4</sub>

	Popula- tion.	Area sq. mile.	Assessed value.	Tax rate.
Plum . . . . .	1,931	30.43	1,468,670	5½
Penn . . . . .	3,282	21.10	1,861,905	5½
Patton . . . . .	2,406	20.24	1,353,240	8
Ross . . . . .	2,844	16.26	2,016,745	4¾
Reserve . . . . .	3,169	3.30	1,532,730	7
Shaler . . . . .	3,501	11.76	2,124,250	6½
Springdale . . . . .	1,012	4.09	801,075	7
South Versailles . . . . .	728	0.797	124,170	10
Scott . . . . .	3,920	10.64	2,116,285	7
Sterrett . . . . .	554	0.39	413,380	8
Stowe . . . . .	2,618	6.10	1,466,365	4½
Union . . . . .	1,285	3.58	358,560	9
Wilkins . . . . .	2,427	4.87	1,298,250	6½

<sup>1</sup> The rate given for Pittsburg and Allegheny does not include the school tax, but it is simply the city tax of 17 and 13.5 mills respectively, with the county tax of two mills added.

<sup>2</sup> In these boroughs no report was made of borough tax. The rates given for the boroughs and townships are those sent in to the county commissioners' office for the last year, with the three mills county tax added.

<sup>3</sup> The tax rate of McKeesport is made up of a city tax of ten and a school tax of six mills; to this is added the county tax, which is the same as in the boroughs and the townships, three mills.

Annual death rates in the cities for 1899: Pittsburg, 19 per 1,000; Allegheny, 15.62 per 1,000; McKeesport, 16.59 per 1,000.

**New Orleans.**<sup>1</sup>—*Amalgamation.* There is no suburban population geographically a part of New Orleans, the amalgamation being completed nearly thirty years ago. We found the effect of consolidation was to increase revenue and taxation but to diminish the cost of collection and the cost of administration.

*Census.* The census was taken at a time very unfavorable to a fair appreciation of the population engaged in business in New Orleans which is about 310,000. The census taken in June showed a population of 287,104. There are 580 miles of inhabited streets, of which over 210 miles are paved with granite, street asphalt, vitrified brick and gravel.

*Vital Statistics.* The average mortality rate among the whites for the period 1880-1899 is about 18 per 1,000. This rate is doubtless too large, for it includes deaths among non-residents brought to the various hospitals of the city. The death rate among the negroes, who compose about one-fourth of the population, is higher, owing largely to the want of proper care for children. Yellow fever causes fewer deaths

<sup>1</sup> By Benjamin Rice Forman, Esq., New Orleans.



than whooping cough. The city is now spending \$19,000,000 for drainage and underground sewage, and for a new and pure water supply. These improvements will undoubtedly largely diminish the mortality rate.

*Taxation.* The city tax is twenty-two mills: ten mills is for alimony, and ten to pay the interest on the public debt. The latter yields a sum more than is necessary to pay the interest on the public debt. The surplus is devoted to permanent public improvements. Two mills are devoted to the bonds to be issued for the sewerage and for the water supply.

The state tax is six mills on the dollar plus one mill for levies or dikes to hold in check the waters of the Mississippi.

The assessed valuation of property is \$140,000,000. Real estate is assessed at an average of about 80 per cent of its selling value, but sometimes at its full value as the law demands. Corporate property, franchises and movables are assessed from 10 to 25 per cent of their real value. If these were assessed at real value the aggregate assessment would probably exceed \$300,000,000.

*Cabinet Government.* The charter of 1896, now in force, re-enacted the provision of the charter of 1882, which gave to the executive and administrative officers of the city, seats in the city council, with the right to debate any measures before that body. No executive or administrative officer has ever availed himself of the privilege conferred. The government has always been essentially by committees of the council, which, as a rule, only ratifies and approves the acts of its committees.

*Cincinnati.*<sup>1</sup>—The official census report was a great disappointment. Instead of a population of nearly 400,000, Cincinnati has but 325,902—a gain of 9.77 per cent. She has been outstripped in the race for numbers by Cleveland, whose population is 381,768. The cause of the small gain in Cincinnati's population is easily traced; it is due to her peculiar geographical situation. Opposite her river bank are the thriving towns of Newport, Covington, Ludlow, Dayton and Bellevue, Kentucky, from which 15,000 people come daily to Cincinnati to earn their living. The electric street railroads carrying thousands of people daily far into the suburbs are also responsible for the slow growth of the population of the city proper. If Cincinnati has not as many people as Cleveland, her clearing house reports are more flattering, her postal receipts much larger and the decennial appraisalment of her property shows a greater value.

The city inaugurated this fall a festival called "The Fall Festival." Its main features were an industrial exposition, and allegorical, indus-

<sup>1</sup> Communication of Max B. May, Esq.

trial and floral parades. It has been a decided financial success, and during the ten days, September 19-29, the city has been crowded with strangers. This "fall festival" will become an annual event.

In Ohio, every ten years, an appraisement is made of the real estate, this decennial appraisement fixing the tax value for the ensuing decade. The decennial appraisement of the city has been made and the same is now being equalized. In the returns the rapid growth of the suburbs can be seen. Property in the west end of the city has greatly depreciated in value, while property in the suburbs has greatly increased. The total value of the tax duplicate will be in the neighborhood of \$200,000,000, about the same as for 1890.

**Minneapolis.**—*Statistics.*<sup>1</sup> A statistical comparison of Minneapolis now and ten years ago shows considerable change in nearly every item. Area is one of the exceptions; the present area, 53.29 square miles, is exactly that of ten years ago. During the decade 1880-90 much territory was added, a large portion of which was unoccupied. In the decade just past the prevailing tendency has been to utilize this space rather than to extend the limits of the city. There seems to be no sentiment in favor of any further additions in the immediate future. The population has increased from 164,738 in 1890 to 203,718 in 1900, a gain of 23.67 per cent. It is generally believed that much the larger part of this increase has taken place during the past five years. The present assessed valuation is \$106,729,265, of which \$87,000,000 in round figures is realty and \$19,000,000 personal property. In 1890 the figures were realty \$118,826,696, and personal property \$19,159,025. The tax levy for the current year is 26.15 mills; in 1890 it was 19.3 mills. In the matter of the ownership of public utilities there has been no change in ten years. The water works alone are owned by the city. Experience with this enterprise is, as far as it goes, favorable to public ownership. The water rate is one of the lowest in the country and the department more than meets its expenses.

*New Charter.* The city is governed under the provisions of a charter dating from 1881. Numerous amendments have failed to make it wholly satisfactory and of recent years there has been a strong sentiment in favor of a new charter. In response to this sentiment a charter commission was appointed in 1898 and it submitted a charter to the voters at the general election in that year. A majority of those voting upon the proposition favored the adoption of the proposed charter, but it was not adopted as the requisite proportion of the total vote was not obtained upon the question. Last year another commission was appointed and the result of its labors will be submitted to

<sup>1</sup> Contributed by Professor Frank Maloy Anderson, University of Minnesota.

the voters at the coming general election. The prospect for its adoption does not seem bright, there being considerable opposition to it, particularly in labor circles. The most striking features of the proposed charter are: (1) Concentration of greater power in the hands of the mayor, particularly in the matter of appointments; (2) restriction of the city council more closely to legislative functions; (3) the creation of a civil service commission and the adoption to a limited extent of the merit system; (4) the creation of a teachers' retirement fund.

*New Primary Law.* Decidedly the most interesting item of municipal news is the outcome of the first trial of the new primary law, passed at the last session of the legislature and applicable only to Hennepin County. By the terms of this law party nominations for all elective offices are to be made directly by the voters themselves. The method of securing that result is as follows: The county auditor prepares for each recognized political party a ballot containing the names of all duly announced candidates for each office; upon the first registration day, which is seven weeks before the general election, the regular election judges offer to each voter as he registers the ballots of all the parties; the voter retires to a booth, checks off his preferences upon the ballot of the party with which he regards himself as affiliated, and returns it with the unused ballots to the judges; the results are canvassed by the judges and the persons receiving the highest vote upon each party ticket are declared the party nominees. Regarding the popularity of the new system the recent trial leaves no manner of doubt; over two-thirds of the total vote of the city were cast. Regarding the quality of the nominees the result was not so favorable in all cases. The contest for the Republican nomination for mayor was very spirited and resulted in the selection of a man who, by universal admission, would never have been nominated by a convention and who is exceedingly distasteful to a large portion of his party. The claim is made that some Democrats voted the Republican ticket in order to impose upon the Republicans a weak candidate. On the other hand the outcome of the aldermanic contests was distinctly better than would probably have been the case under the old system. Four former aldermen, notorious as members of a "combine," two of whose members were convicted of bribery and all of whose members were suspected of boodling, were defeated, although the pre-election prospect for their success had been very bright. Probably all of these men would have been nominated under the old system and three of them would have been elected, as they reside in wards where party nomination is almost equivalent to an election. The cause of good government is the gainer by their defeat.

## FOREIGN CITIES.

**Municipal Trading in Great Britain.**—In a preceding number of the ANNALS<sup>1</sup> we stated that the success of British municipal trading was being investigated by a joint parliamentary committee of ten. They were instructed "to consider and report as to the principles which should govern powers given by Bills and Provisional Orders to municipal and other local authorities for industrial enterprise within or without the area of their jurisdiction." The House committee was ordered April 6, 1900, by a vote of 141-67. The Lords' committee May 11. The committee took evidence at sixteen sittings, between May 18 and July 28, when they recommended their reappointment and submitted the evidence which they had taken. The committee was made up of the following: Lord Rothschild, Lord Windsor, Earl of Crewe, Viscount Peel, Viscount Hampden and from the Commons, Sir Leonard Lyell, Sir Walter Foster, Mr. Hobhouse, Mr. Fry and Mr. Lawson. Thirty-six witnesses were examined. The testimony, including tabulated statistics for various municipalities, has been issued in a volume of 346 pages and twenty-three appendixes. This is replete with valuable information. It appears that seventeen local authorities made a net profit on their gas undertaking of £10,000 and upwards, aggregating nearly \$2,000,000. Tramways are owned by forty-nine local authorities; concessions to establish or extend are being sought by thirty-four. In addition to the usual public utilities which municipalities are seeking power to control, such as lighting plants, tramways, crematoria, markets, slaughter-houses, baths and wash-houses, are many which in this country are generally jealously guarded from public interference. Among these are cold air stores and ice production and distribution; stabling, accident insurance, piers, harbors, lodging-houses, etc.

**Leek.**<sup>2</sup>—We are wont to associate municipal trading with great cities. But in England, the smaller corporations have followed the example of the greater. The unincorporated town of Leek, with a population of only 15,000 and a ratable value of only £47,000, presents a very good example of successful municipal trading. The District Council owns the gasworks, waterworks, markets, cemetery, public baths, and allotments, and is establishing electricity works. Its markets date from the year 1209, but were not municipalized until the year 1859, when they were acquired at a cost of £4,300. Last year the income from the markets was £609, and the expenditure £403.

The old town commissioners purchased the waterworks from the

<sup>1</sup> September, 1900, p. 148, *et seq.*

<sup>2</sup> From "London Municipal Journal."

Earl of Macclesfield many years ago. The lordly owner had obtained extraordinary powers under an act passed in 1827. The charges went as high as 2s. 6d. in the pound, without extras. The District Council has enormously reduced the charges, and they are now 8d. in the pound for domestic purposes and 6d. per 1,000 gallons for trade purposes. Last year the remainder of the debt was paid off, so that the charges can now be further reduced if considered desirable.

The gas supply was purchased in 1845, when the price of gas was 9s. 6d. per 1,000 cubic feet. The rate has gradually been reduced until it is now 2s. 6d. In fact, Leek prides itself upon supplying the cheapest gas in the country. For a town of its size this is certainly the case, when it is considered that for the last thirty years no charge has been made for public lighting. Last year there was a surplus profit of £1,200, and the District Council has recently obtained power to spend £20,000 in extending the works.

Leek is one of the few towns which makes a profit out of its municipal cemetery after meeting all expenses and loan charges. Public baths are not, of course, expected to make a profit, but they are very well patronized in the town, and are very successful from a sanitary point of view. The Public Library has also proved to be a most useful institution, and the District Council is enterprising enough to levy a penny rate for the purpose of technical instruction, to supplement a grant from the County Council. It also has a museum in connection with the Public Library, and has provided a number of allotments.

**The Bubonic Plague and British Quarantine.** —Quarantine in the strict sense of the word consists in the segregation of persons and objects coming, whether by sea or land, from localities in which a dangerous epidemic disease is in existence, with the object of limiting its spread. Although scientifically correct, quarantine has been abandoned in the United Kingdom because it is impracticable under the conditions of British trade. The scientific cannot be dissevered from the commercial question; and a quarantine which in practice could not be enforced would better be definitely abandoned so that no false sense of security by futile measures is engendered. Incidentally, experience has shown that European countries which trust to quarantine have suffered more severely from cholera than England which has abandoned it. Sanitation is the true chief means of defence. Yet England does not trust to sanitation alone. Its system of medical inspection at the ports and subsequent supervision of persons landed from suspected vessels furnishes a valuable means of detecting the first cases of an imported disease.

The occurrence within the past month (September, 1900) of over



twenty cases of plague in Glasgow will not alter the attitude of British administrators in regard to quarantine. Every effort will be made by medical inspection to prevent the importation of exotic disease, and persons landing will be subsequently visited at their homes. The present plague having called the attention of sanitary officials to the possibility of an obscure case being one of that disease, there is every reason to believe that it will be stamped out before it has seriously spread.

Although quarantine is impracticable and inadvisable in Great Britain, which, while physically an island, is epidemiologically a part of the continent of Europe, it is justifiable under certain circumstances. To quote Dr. Ashburton Thompson's proposition concerning it: "*The degree of protection which quarantine measures can afford is inversely as the ease of communication between the infected country and the country to be defended.*" Quarantine measures do not absolutely exclude infection but only *diminish the entering number of foci*. In rejecting medical inspection as being insufficient for Australia, the members of the conference of the six Australian colonies were guided by the following consideration: "*Nations whose internal sanitary administration is not perfect, cannot afford to refer the observation of suspects to the country at large.*"

Between European countries no amount of quarantine will prevent intercommunication on an enormous scale, while between natives of India and Europe it is almost non-existent. The chief reason for the difference is that there are no crowds passing over from India to Europe, no ships laden with emigrants or dirty passengers of the lowest type as there are between European ports and between these and the United States. Thus it is equally true that cholera, for example, is carried by ships from country to country in Europe and that it is not thus carried from India. Mecca is the main place of danger for Europe. It is over 2,000 miles nearer Europe than any Indian port, and more than 4,000 miles nearer than Calcutta; and its great annual gatherings of pilgrims bring the centre of cholera by so much nearer Europe. Hence the sanitation of the Mohammedan shrines and the routes to them, and the regulation of the pilgrim traffic, constitute the most important measure against cholera in Europe.

## SOCIOLOGICAL NOTES.

### **A Unique Public Trust to Reduce the Evils of Alcoholism.<sup>1</sup>—**

Society condemns drunkenness. Our states ordain that teachers in the public schools shall teach the physical effects of the alcohol habit. Regarding alcoholism as a disease, many municipalities attempt to arrest its propagation by declaring illegal the sale of alcoholic beverages for other than medicinal purposes. Other cities, regarding the excessive use of stimulants as a necessary evil, leave the weak individual to be eliminated by his own passion, while the traffic is given a legal standing in exchange for large pecuniary compensation in the form of license taxes. We hear of the Gothenburg System and the State Dispensary as methods by which society attempts to reduce to the minimum the evils of alcoholism by removing the greatest factor in its propagation, private profits from the sale of intoxicants. In two cases only, I think, government authorities go beyond fixing the legal standing of the traffic. In Cambridge and Gloucester, Massachusetts, salaried propagandists are employed, who devote their entire time to combating alcoholism.

This city temperance missionary, generally known as city missionary, dates from the year 1864, and is paid from the city treasury in fulfillment of a promise made by the city authorities upon the acceptance of the Sanders Temperance Fund. The terms of the bequest are as follows: "Believing, as I do, that drunkenness is a crime, and likewise the origin of a large portion of crimes, vices and misery, which exist among us, I am desirous to do all in my power for its prevention and cure by establishing in Gloucester, the place of my ancestors, and Cambridge, my present place of residence, a permanent salary to be paid to some worthy man who has discretion and zeal for the cause." This agent is "to be constantly employed as a missionary in the cause of temperance, in reforming old drunkards and preventing young drunkards, and abolishing as far as possible the use of all intoxicating articles."

"I therefore give and bequeath to the Town of Gloucester the sum of ten thousand dollars (\$10,000), and to the City of Cambridge the sum of ten thousand dollars (\$10,000), to be held as permanent funds, the interest of which shall be paid quarterly as salaries to those persons employed for the above-named purpose in those places as long as the vice of drunkenness exists."

<sup>1</sup> Contributed by Dr. William H. Allen, University of Pennsylvania.

At the time, this bequest was not given the attention it deserved, because public interest was concentrated on news from the battlefield. The mayor's message to the Cambridge councils made no mention of the gift. The histories of Cambridge, with one or two bare references to the existence of a Sanders Temperance Fund, do not refer either to the gift or to the work which it has made possible. The council proceedings record, however, that the councils met October 5, 1864, formally accepted the gift and by ordinance established a board of trustees to take charge of the fund and to carry out the wishes of the donor. The mayor and four members of council were named as trustees, met as a board and appointed a well-known temperance worker of the time as first temperance missionary.

At first the board had an office in the City Hall, where from time to time they met to hear the report of the missionary. He was expected to report from a daily record just how he had busied himself. In 1882, however, "his office hour at the City Hall was discontinued, as no calls were made upon him, and it was felt that the proper exercise of his duties required his presence during those hours at other places." So the board is now only nominal trustee, with no executive functions. It annually reports that the interest on the fund has been paid to the missionary, "whose earnest and eloquent report follows," *et seq.*

As is unusual in the case of similar trust funds, the money was not separately invested and guarded by the trustees. Instead it was absorbed into the treasury and councils voted to pay 6 per cent, or \$600, to the missionary. As the average rate of interest being paid by Cambridge to-day on temporary loans aggregating half a million is only 2.996 per cent, and as time bonds amounting to \$369,000 were floated in 1899 at 3.25 per cent, it is apparent that the absorption of the fund into the treasury was an unforeseen benefit to the cause for which it was given. For it is hardly probable that the trustees could have so invested \$10,000 that it would always net \$600. Secondly, public sentiment may be counted on never to permit the city to reduce the salary of the missionary below \$600. The city stands, therefore, pledged to pay at least \$600 a year for a temperance missionary "as long as the vice of drunkenness exists."

As for the work done, it is to be regretted that the reports of the missionaries have been hidden away among so much statistical material that they are unknown to the people of Cambridge. The Gloucester missionary does not tell the public what he has done during the year, yet probably his work is as generally known to the ordinary business man as is that of his fellow missionary at Cambridge, who makes every year an extensive report. It was disappointing to find

that the barber, merchant, landlady, teacher, librarian and student in Cambridge knew so little of the temperance missionary's work.

It is quite conceivable, however, that the personal influence of the missionary is more direct and farther reaching because so unostentatious. The activities of the missionary include the following: Public temperance meetings, averaging three a week, in halls during the winter and on the Common or public squares during the summer. At these meetings pledges are given, numbering during the year about seven hundred. The missionary follows the converts, protecting them from evil associations, where possible, by helping them secure employment and connecting them with respectable associations. Weekly meetings are also held in the House of Correction, where by moral suasion or mental suggestion attempt is made to arouse in the drinker a hatred of alcohol. The missionary also takes an active part in the annual no-license campaign—Cambridge has had no saloons for fifteen years—by marshaling his friends and the enemies of alcohol to vote no license. His testimony on the effect of local prohibition is that "those who appear before the police courts now on the charge of drunkenness are old offenders. Very few respectable looking young people are now found there." The missionary distributes much temperance literature.

Of great importance is the educational work conducted among the young. Clubs are organized in different parts of the city, whose purpose is to provide respectable enjoyment and to inculcate a belief in the destructiveness and danger of the use of alcohol in any form. Temperance or total abstinence literature is also liberally distributed.

The court room is, however, the laboratory of the temperance missionary. He visits the magistrate's court every morning. He is given a seat inside the railing where only officers of the law, accused, accusers and witnesses are allowed. He is recognized as a city official. Magistrates and police both assist him, and also depend upon him to aid them in enforcing the law. He hears the charges brought against the accused. If they have been arrested for drunkenness or for crimes committed while under the influence of liquor, or for offences growing out of the use of alcoholic stimulants, he makes careful notes of the circumstances. He then interviews the accused, ascertaining the latter's address, whether there is a family dependent upon him, whether he is employed and where, his habits in the use of alcohol, etc. During the year, from 1,700 to 2,000 such interviews are held. It is not necessary to emphasize here the tremendous influence for good which a sympathetic man may have, who meets 2,000 alcohol victims yearly at the bar of justice with promises of assistance. The city condemns and punishes because it must, but it condemns the act.

It does what it can, however, to prevent a repetition by extending a helping hand to the culprit. It recognizes, in a word, society's obligation to a victim of a social institution.

But perhaps of greater importance yet is the work done with the families of confirmed drinkers. In 1897 and 1898 the missionary visited 2,110 and 2,013 "homes of the unfortunate poor, made so because of the intemperate habits of the father." He goes as a friend to ascertain what assistance is necessary. If clothing or food is wanting he appeals to philanthropic individuals or organized societies. But his greatest service is in causing the family to diagnose its own case. Generally employment is found to be the best remedy. The missionary has been very successful in providing the remedy.

As early as 1868 the trustees recognized the necessity of following the missionaries' moral suasion with practical aid. "A fund enabling pecuniary assistance to be rendered in certain cases would, we think, be a great incentive to a permanent reform of the fallen." This fund would doubtless be obtained more readily if the trustees were chosen from philanthropists or from practical students of social problems outside the councils. City officials are unable to give special attention to such a trust. From the standpoint of sociology it is to be regretted that the fund has not been increased so that it would be possible not only to render more effectual preventive aid to alcohol victims but also to classify for social use the facts gathered from a decade's observation of 20,000 homes, 20,000 drinkers, 5,000 pledge takers, 2,000 public temperance meetings, and hundreds of temperance clubs.

**Anthracite Coal Miners' Wages.**<sup>1</sup>—In consequence of the refusal of coal operators to meet committees of the United Mine Workers and adjust grievances presented on August 15, at a convention in Hazleton, a general strike of the anthracite coal miners began on September 17 last. The miners complained that "during the past two or three years the cost of many of the necessities of living has been increased, in many instances 20, 30, 40 and even 50 per cent, while our wages have not increased to any extent whatever. The miners of all other coal regions have had their wages increased, while ours have remained stationary or have been reduced." An advance of 20 per cent was then asked for. They demanded an increase of 5 per cent on all wages of \$1.50 per day and over and an increase of 10 per cent for all wages under \$1.50. It is a matter of some interest to learn what were their average earnings, and if, as a matter of fact, these were so low as to constitute a grievance.

The wage scale in operation at the time the strike began was adopted after the long strike of 1886-87. In consideration of a certain rate of

<sup>1</sup> Contributed by F. G. Fraser.



wages, based on the cost of mining at that time, the miners agreed that powder was to be purchased from the companies at \$2.75 a keg. At that time the price meant but a very small profit. Since 1887, according to the operators, the cost of mining has largely increased, and it would have been manifestly impossible for them to continue a wage scale made in more prosperous times had it not happened that the purchase price of powder declined to about ninety cents, giving an increased margin of profit, which has been almost enough to balance the higher costs of mining, while paying labor the same rate. A reduction of \$1.25 a keg for powder would mean an increase in wages of about one and one-half cents a ton in the mammoth vein, where about eighty tons of coal are mined per keg of powder; and about eight cents per ton in the thin veins, where a keg of powder mines about fifteen tons of coal. This would mean an advance to the miner of about three cents for a two-ton car in the mammoth vein and sixteen cents a car in the thin veins.

What now were the earnings from which these advances were to be measured? In a statement issued September 13 President Mitchell, of the United Mine Workers, said: "The average wages of the anthracite miner for many years past has been less than \$250 annually." The following is a carefully compiled list of the number of men at work in the Wyoming Valley mines and the amount of wages paid, and the figures presented appear to substantiate the claim:

	Number of Men.	Average Pay Roll Per Month.	Average Pay Per Man.
Lehigh Valley & Wilkesbarre Coal Co.	5,705	\$114,000	\$19.65
Delaware & Hudson Co. . . . .	3,090	61,800	20.00
Susquehanna Coal Co. . . . .	3,891	77,821	20.00
Kingston Coal Co. . . . .	2,262	77,820	34.40
Delaware, Lackawanna & Western Co.	2,330	46,600	20.00
Lehigh Valley Coal Co. . . . .	1,139	22,780	20.00
Red Ash Coal Co. . . . .	652	13,040	20.00
Parrish Coal Co. . . . .	1,166	23,320	20.00
Miscellaneous Companies . . . . .	3,142	62,480	19.88

At Jeddo, John Markle's pay roll showed many men who did not earn more than \$35 a month, and \$25 of this sum was often deducted for credit at the company store. On the other hand, there were instances during August where miners drew \$50 in cash after making all deductions, including their account for provisions and clothing at the company store. There were many cases also where miners drew more than \$100 after deduction for provisions and powder.

The average amount received by each miner at the collieries of the Pennsylvania Coal Company during August, after deducting for powder, oil, etc., was \$2.60 per day, and the average number of days worked was twenty, amounting to \$52 a month. The wages of miners' laborers was \$1.67 a day. The average wages of the 822 men at the Lattimer colliery is \$38.33 a month. This includes both boys and men and is made up with cost of powder taken out. At the Harwood mine, where the number of men is greater, the average is \$40.06.

Following is a detailed statement of the wages of the men at the Harwood mine, as given by Mr. Calvin Pardee: 145 contractors, net average wages, \$53.75; 168 breaker men and boys, average, \$23.48; 132 outside men, average wages, \$38.73; 143 timber men, roadmen, drivers runners, patchers, door boys and stripping men, average, \$37.55.

As the Jeddo and Harwood collieries represent the best wages, and the Wyoming Valley possibly the worst, the statement of President Mitchell quoted above, that the average wages for the last year were \$250, does not appear very far from the truth.

**The Wheat Outlook.**<sup>1</sup>—The present outlook for a large wheat crop is not so favorable as last year, although the crop is not a failure save in certain parts of this country.

According to Carthew the wheat crop of the world for 1900 is 2,224,000,000 bushels, divided among the various nations as follows: United States, 540,000,000 bushels; Russia, 336,000,000 bushels; France, 296,000,000 bushels; India, 240,000,000 bushels; Hungary, 114,000,000 bushels; Italy, 128,000,000 bushels; Germany, 112,000,000 bushels; Spain, 96,000,000 bushels; Argentine, 80,000,000 bushels; Canada, 48,000,000 bushels; Australia, 52,000,000 bushels; Belgium, 96,000,000 bushels; Great Britain, 56,000,000 bushels. Dr. Daranyi places his estimate somewhat higher—from 2,469,060,000 to 2,525,820,000 bushels, or from 4 to 5 per cent below last year's output. The *Mark Lane Express* reports that the crop is probably better in Spain, Roumania, Bulgaria and Russia and inferior in the other great producing states.

In this country the wheat crop will be short on account of the failure of the crop in the Northwest. Rains have caused loss and deterioration of the crops in North Dakota and in Northern Minnesota. West and southwest of Minneapolis the crop has been more generally better stacked, but even in South Dakota and Southern Minnesota the loss has been considerable. Yet the Cincinnati *Price Current* thinks the loss has been exaggerated, and that the crop in the last-mentioned states will be large enough to equalize the losses in the Northwest. Kansas will, on the other hand, have an unusually large crop, the estimates running all the way from 85,000,000 to

<sup>1</sup> Contributed by Mr. J. C. Duncan.

100,000,000 bushels. Oklahoma will also give a large crop. What the entire crop of the United States will be is not as yet known. Various estimates have, however, been made. The following, taken from the *American Miller*, are given as final estimates from various authorities: *Cincinnati Price Current*, 550,000,000 bushels; *Snow's Forecast*, 510,000,000 bushels; New York Flour Exchange, 508,000,000 bushels; Regina Flour Mill, 521,000,000 bushels; *Daily Trade Bulletin*, 489,000,000 bushels; Baltimore Produce Exchange, 517,356,000 bushels; *Duluth Record*, 510,000,000 bushels. The *American Miller* estimates the crop at 515,155,571 bushels. In 1899 the Agricultural Department reported a yield of 547,300,000 bushels. It is probable that the crop of 1900 will fall 30,000,000 bushels below this yield of 1869.

The price of wheat is higher this year than it was last. During September, 1899, it ranged from 73 cents to 77½ cents. During September, 1900, the range was 77¾ to 80¾. The outlook for 1900-01 is for a higher price of wheat.

**American Stock Market.**<sup>1</sup>—Beginning with the latter part of December, 1899, the values of American stocks have, with few exceptions, shown a downward tendency. Stock sales have decreased even more than stock values. This is seen from the following table:

*Table Showing Range of Prices from January to October, 1899-1900, of Various Railroad and Industrial Stocks. Also, the Latest Quotations.*

	1899. Range of Prices.	1900. Range of Prices.	1900. Last Quota- tion, Oct. 6.
Reading Co. . . . .	19¾—25	15 — 21½	16
Great Northern Railway . . .	142¼—195	144¼—174½	153
Union Pacific . . . . .	38¾—50¾	44¾—60¾	58¾
Southern Pacific . . . . .	27 — 44	30¾—43	34
Illinois Central . . . . .	110 — 122	110 — 120¼	116
Baltimore & Ohio . . . . .	43¾—61½	55¼—89¾	70
New York Central . . . . .	121¼—144¼	125¾—139¾	130
Pennsylvania . . . . .	122¾—142	124¾—142¾	130
New York, New Haven and Hartford . . . . .	198 — 222	207¾—215¾	209
Boston & Maine . . . . .	170 — 205	187 — 202½	..
American Sugar . . . . .	123¼—182	95¼—137½	117
American Tobacco . . . . .	88½—229½	84½—111½	91½
American Steel & Wire Co. . .	45 — 72	28½—59¾	34

<sup>1</sup> Contributed by Mr. L. B. Wolf.

Speculative investors were so much alarmed by the panic of December 18, 1899, as to withdraw very largely from the market, and no revival of speculative interest, in spite of strenuous endeavors on the part of leading interests, has been manifested.

The following tables, showing the sales of stock, the stock clearings and the rate of interest on call loans, prove that the difficulty of securing loans has not caused the depression in the stock market (see page 158):

*Monthly Stock Clearings.*

Month.	1900.	1899.
January . . . . .	\$7,637,759,375	\$8,503,060,612
February . . . . .	6,428,007,389	6,991,303,853
March . . . . .	7,629,066,559	8,737,489,825
April . . . . .	7,456,064,401	8,291,784,464
May . . . . .	7,305,763,627	8,388,637,830
June . . . . .	6,661,932,557	7,514,390,513
July . . . . .	6,247,278,781	7,123,749,393
August . . . . .	5,701,231,646	6,939,795,090
Total . . . . .	\$55,067,104,335	\$62,490,211,680

*Monthly Average Call Loan Interest Rate.*

	1900.	1899.
January . . . . .	4½	2¾
February . . . . .	2½	2¾
March . . . . .	3½	3 11-16
April . . . . .	3¼	6½
May . . . . .	2½	3¾
June . . . . .	1¾	2½
July . . . . .	1¾	4½
August . . . . .	1¾	3¾
September . . . . .	1½	5¾

It is not often that such low rates of interest have failed to stimulate speculation. The probable explanation is that the sheep have been so closely sheared that a new crop of wool has not yet had time to grow. The election of McKinley, however, may give to the brokers a new opportunity to gather in the surplus earnings of the adventurous and trustful investor.

## Stock Sales.

Month.	Number of Shares.	1900.		1899.	
		Par.	Value. Actual.	Par.	Value. Actual.
January . . .	9,843,716	\$946,581,487	\$687,243,018	\$2,350,845,650	\$1,619,520,833
February . . .	10,195,392	976,723,925	718,677,567	1,536,370,500	1,190,899,102
March . . . .	14,446,782	1,409,933,550	1,101,018,407	1,705,438,450	1,375,265,851
April . . . . .	14,772,973	1,434,106,700	977,081,461	1,675,038,550	1,431,735,173
May . . . . .	9,519,473	902,298,900	610,491,418	1,467,563,850	1,234,986,530
June . . . . .	7,308,687	704,924,650	455,082,364	1,066,513,050	927,954,406
July . . . . .	6,230,493	599,842,700	401,407,206	820,926,600	708,857,714
August . . . .	4,020,654	393,257,750	236,985,469	1,232,066,050	1,075,627,941
Total . . .	76,338,170	\$7,367,669,662	\$5,187,986,910	\$11,854,762,700	\$9,564,847,550

**Awards for Social Economy Exhibits at the Paris Exposition of 1900.**—An error occurred in the statement made on page 152 of the September ANNALS concerning the organization of some of the chief features of the Social Economy Exhibit. This should be corrected to read, that Hon. Frederick W. Holls is chairman of the Tenement House Committee of the New York Charity Organization Society and that Mr. Veillier is secretary; also that Mr. Robert W. DeForest is president of the New York State Tenement House Commission, of which Mr. Veillier is also secretary.

The exhibit of charitable institutions, societies and organizations for educational purposes, which was a feature of the Department of Education and Social Economy at the Paris Exposition, was collected by Mr. Homer Folks and Mr. Edward T. Devine, from representative agencies throughout the United States. It consisted of four sections:

I. Institutions for the care of dependent, neglected, delinquent and defective children.

II. Hospitals, dispensaries and schools for nurses.

III. Agencies for the relief of the poor in their own homes, including charity organization societies, associations for improving the condition of the poor, public out-door relief, etc.

IV. Educational and supervisory agencies, including the National Conference of Charities and Correction, state boards of charities, etc.

This plan was proposed by Mr. Herbert S. Brown, editor of the *Charities Review*, and was based upon the classification adopted for a series of historical papers now in progress in the *Review*.

As a part of the same plan, Mr. Robert W. Hebbard collected the exhibit for almshouses and homes for the aged, and Mr. T. E. McCarr the exhibit of institutions for the care of the insane. These, however, were for the State of New York only.

It is a matter of some general interest, showing the significant features of American work along these lines, as well as the extent to which the American exhibit received recognition at Paris, to note the awards to American exhibitors in Group XVI, the Department of Social Economy. The following list of awards appeared in the *New York Times* for September 2:

#### DEPARTMENT OF SOCIAL ECONOMY.

##### GROUP XVI.

HOWARD J. ROGERS, Director.

##### GRANDS PRIX.

American Federation of Labor, Washington, D. C.  
Board of Arbitration, State of Massachusetts, Boston.  
Department of Social Economy, United States Commission.  
Bureau of Factory Inspection, State of New York.



Factory Inspection Bureau, State of Massachusetts.  
 Department of Social Economy, United States Commission.  
 Tenement House Committee, Associated Charities, New York City.  
 United States League of Social Building and Loan Associations.  
 League for Social Service, New York City.  
 National Cash Register Company, Dayton, Ohio.  
 Nelson Manufacturing Company, Missouri.  
 Young Men's Christian Association (collective).  
 State Insurance Department, New York (Albany).  
 State Banking Department, Albany.  
 Banking Department, State of Massachusetts.  
 Controller of Currency, Washington, D. C.  
 Dawes, Charles G., Washington.  
 Willoughby, W. F., Washington, D. C.  
 National Fraternal Congress.  
 Bureau of Labor, Washington, D. C.  
 Negro Exhibit, Department of Social Economy.  
 American Society for the Protection of Animals, New York City.  
 American Humane Association, Chicago.  
 National Society, Daughters of the American Revolution.  
 State Board of Health, Massachusetts.  
 State Bureau of Charities and Correction, Albany.  
 State Bureau of Charities, Massachusetts.  
 Lunacy Commission, State of New York, Albany.  
 St. John's Guild, New York City.  
 Department of Social Economy, United States Commission.  
 Charity Organization Society, New York City.  
 Association for Improving Condition of the Poor, New York City.  
 Children's Aid Society, New York City.

## GOLD MEDALS.

Lowell Textile School, Massachusetts.  
 New Bedford Textile School, Massachusetts.  
 Gilman, N. P., Meadville, Penn.  
 Willoughby, W. F., Washington, D. C.  
 Bureau of Labor Statistics, Boston, Mass.  
 Board of Arbitration, State of New York, Albany.  
 International Typographical Union.  
 Trades League of Philadelphia.  
 Bureau Inspection of Mines, Ohio.  
 Bureau Inspection of Mines, Pennsylvania.  
 Factory Inspection Bureaus of Illinois, Indiana, Pennsylvania, Minnesota  
 and Ohio.  
 Washington Sanitary Improvement Company, Washington, D. C.  
 Veiller, Lawrence, New York City.  
 Harvard Co-operative Society, Cambridge, Mass.  
 Institute of Technology, Co-operative Association, Boston, Mass.  
 Consumers' League, Philadelphia.  
 Commercial Museum, Philadelphia.  
 Heinz & Co., Pittsburg.  
 Ludlow Manufacturing Company, Boston.  
 University of the State of New York, Albany.  
 Salvation Army (collective).  
 Westinghouse Air Brake Company.  
 Insurance Commission, State of Massachusetts.  
 Independent Order of Foresters.  
 Knights of the Maccabees.  
 Knights of Malta.  
 Locomotive Engineers' Mutual Life and Accident Insurance Association.  
 Marsh, W., New York City.  
 Prudential Life Insurance Company.  
 Woodmen of the World.  
 Pennsylvania Railroad Savings Department.  
 Modern Woodmen of America.  
 Ancient Order of United Workmen.  
 New Hampshire Savings Bank Department.  
 Maine Savings Bank Department.  
 Bureaus of Labor of New York State, Massachusetts, Pennsylvania, Illi-  
 nois and Wisconsin.  
 Tolman, W. H., New York City.

Waterman, Richard, Chicago.  
 Young Men's Christian Association of America.  
 Abbott, Samuel W.  
 Public Baths, New York City.  
 Boards of Health of Brookline, Mass.; Cambridge, Mass.; Chicago, New York City, Philadelphia, Pittsburg and Providence.  
 State Boards of Health of California and Illinois.  
 Board of Health, Boston.  
 State Boards of Health of Michigan, New York, Pennsylvania, Rhode Island and Vermont.  
 J. L. Mott Iron Works, New York City.  
 H. K. Mulford & Co., Philadelphia.  
 Park, Davis & Co., Detroit.  
 Department of Social Economy, United States Commission.  
 Standard Manufacturing Company, Pittsburg.  
 Trenton Potteries Company, Trenton, N. J.  
 Street-Cleaning Department, New York City.  
 Loomis Sanitarium, New York.  
 Public Charities, City of Boston.  
 Charities Associations, City of Boston.  
 State Bureaus of Charities of Michigan, California, Illinois, Indiana, Ohio, Pennsylvania and Wisconsin.  
 Lunacy Commission, State of Massachusetts, Boston.  
 National Association, Charities and Corrections.  
 School for the Blind, Overbrook, Penn.  
 Folks, Homer, New York City.  
 Massachusetts General Hospital, Boston.  
 St. Mary's Hospital for Children, New York City.  
 Johns Hopkins Hospital, Baltimore.  
 Pennsylvania Hospital, Philadelphia.  
 Presbyterian Hospital, New York City.  
 Boston City Hospital, Boston.  
 Hospital for Aged and Married Couples, Boston.  
 Institution for the Assistance of Children, Glen Mills, Penn.  
 Columbia Institution for the Deaf, Washington, D. C.  
 New York Institution for the Deaf, New York City.  
 Society for the Assistance of Children, Boston.  
 Devine, Edward T., New York City.  
 Five Points House of Industry, New York City.  
 Society for Prevention of Cruelty to Children, Brooklyn.  
 State Charities Aid Association, New York City.  
 Mount Sinai Hospital, New York City.  
 Association for Improving Condition of Poor, Brooklyn.

SILVER MEDALS.

Brotherhood of Locomotive Engineers.  
 Cluett, Peabody & Co., Troy.  
 State Boards of Arbitration of Indiana, Ohio and Wisconsin.  
 Macullar Parker Company, Boston.  
 Northwestern Miller, Minneapolis.  
 Singer Manufacturing Company, New York City.  
 Southern Railway Company, New York.  
 Stone, publisher, Chicago.  
 Vermont Marble Company, Laird, Norton Company.  
 Draper Company, Limited.  
 Lucas, John & Co.  
 American Waltham Watch Company.  
 Briar Cliff, Manor Farms.  
 Brownell Manufacturing Company, Rochester.  
 Cleveland Hardware Company, Cleveland.  
 Eastman Kodak Company, Rochester.  
 Ferris Brothers Company, Newark.  
 Gorham Manufacturing Company, Providence.  
 Siegel-Cooper Company, Chicago.  
 Sherwin Williams Company, Cleveland.  
 John Wanamaker, New York.  
 J. H. Williams & Co., Brooklyn.  
 Ancient Order of Hibernians.  
 Illinois Central Railroad.  
 Order of Scottish Clans.

Procter & Gamble.  
 Royal Arcanum.  
 United American Mechanics.  
 Home Circle.  
 Baltimore and Ohio Railroad Relief Association.  
 Chicago and Burlington Railroad Relief Association.  
 Lehigh Valley Railroad Relief Association.  
 Pittsburg Western Railroad Relief Association.  
 State Bureaus of Labor in Connecticut, Ohio, New Jersey, Indiana, Missouri, California, Michigan, Maryland, Iowa, Kansas, Washington, North Carolina, Maine, Minnesota, Colorado, Rhode Island, Nebraska, Virginia, West Virginia, North Dakota, Tennessee, Kentucky, Montana and New Hampshire.  
 American Public Health Association.  
 Humane Education Association, Boston.  
 Public Baths, Boston and Brookline.  
 Boards of Health in Baltimore, Buffalo, Charleston, N. C.; Cincinnati, Cleveland, Detroit, Milwaukee, Minneapolis, Newark, New Orleans, St. Louis, St. Paul, San Francisco, Washington, D. C., and Worcester, Mass.  
 State Boards of Health of Connecticut, Delaware, Florida, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Minnesota, Missouri, New Hampshire, New Jersey, Ohio, Oklahoma, South Carolina and Wisconsin.  
 Cremation Society, Philadelphia.  
 New Jersey State Milk Commission.  
 Michigan State Milk Commission.  
 Peconic Laboratories.  
 Colorado Sanitarium, Boulder.  
 Sanitarium Gabriels, Adirondacks.  
 Sharon Sanitarium, Sharon, Mass.  
 Department of Streets, Boston and New York.  
 Public Charities, Worcester, Mass.  
 Asylum for the Poor, Tewksbury, Mass.  
 Charities Association, Baltimore.  
 State Board of Charities and Corrections, Colorado.  
 Bureaus of Charities and Corrections of District of Columbia and State of Minnesota.  
 State Bureaus of Charities and Corrections of Missouri, New Hampshire and Rhode Island.  
 State Bureaus of Charities of Connecticut and New Jersey.  
 School for the Deaf, Omaha, Neb.  
 Isabella Heinath, New York.  
 Society for the Assistance of Children, Philadelphia.  
 St. Vincent de Paul's Hospital, New York City.  
 Roosevelt Hospital, New York City.  
 St. Luke's Hospital, New York City.  
 Catholic Protectory, New York City.  
 Charity Organization Society, Buffalo.  
 Massachusetts Farm School.  
 The Lyman School, Massachusetts.

## BRONZE MEDALS.

The Chicago Record.  
 Board of Arbitration.  
 J. H. Flickenger & Co., San José.  
 Locomotive Engineering, New York.  
 Ores and Metals, Denver.  
 Remington Standard Typewriter.  
 McCormick Harvesting Machine Company.  
 Cleveland Terminal and Valley Railroad Relief Department.  
 Independent Order of Rechabites.  
 Knights of the Golden Eagle.  
 Pittsburg Junction Railroad Relief Department.  
 United Ancient Order of Druids.  
 American Association of Climatology, Philadelphia.  
 Dr. W. B. Atkinson.  
 Public Charities of Brockton, Mass.; Fairhaven, Mass.; Natick, Mass., and Akron, Ohio.  
 Charities Associations of Charleston, S. C.; Charleston, W. Va.; Janesville, Wis.; Oakland, Cal.; Pueblo, Cal., and Wilmington, Del.

State Bureaus of Public Charities of Iowa, Kansas, Maine and Maryland.  
 State Bureaus of Charities of Nebraska and Tennessee.  
 Keen, Dora, Philadelphia.  
 Charity Organization Societies of Connecticut, Colorado, District of  
 Columbia, New Haven and Maine.

HONORABLE MENTIONS.

Atchison, Topeka and Santa Fé Railroad.  
 Bureau of American Republics, Washington.  
 Agricultural Commission, State of Louisiana.  
 Board of Arbitration, State of Connecticut.  
 Delema Mercer Mines Company, Utah.  
 C. A. Dockham & Co., Boston.  
 Dungan, Hood & Co., Philadelphia.  
 Earl & Wilson, Troy, N. Y.  
 Engineering News Publishing Company.  
 Fostoria Glass Company, West Virginia.  
 Hires Turner Company.  
 Hocking Valley Railroad.  
 Illinois Steel Company.  
 Real Estate Loan Association of Springfield, Ill.; Indianapolis, Baton  
 Rouge, Boston, Lansing, Jefferson City, New York City, Madison, Wash-  
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 Charles A. Schieren, Brooklyn.  
 Standard Varnish Works, New York.  
 Triumph Ice Machine Company.  
 Sebattus Co-operative Association.  
 Ishpeming Co-operative Association.  
 James W. Tufts, Mutual Aid Society, Boston.  
 Co-operative Store Company, Silver Lake, Mass.  
 Cypress Lawn Cemetery Company.

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ABBREVIATIONS.—In the Index the following abbreviations have been used: *pap.*, principal paper by the person named; *b.*, review of which the person named is the author; *p. n.*, personal note on the person named; *r.*, review by the person named.

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